

U.S. Foreign Policy

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## 9 BILL CLINTON'S INAUGURAL ADDRESS (1993)

My fellow citizens: Today, we celebrate the mystery of American renewal.

This ceremony is held in the depth of winter. But, by the words we speak and the faces we show the world, we force the spring — a spring reborn in the world's oldest democracy, that brings forth the vision and courage to reinvent America.

When our founders boldly declared America's independence to the world and our purposes to the Almighty, they knew that America, to endure, would have to change; not change for change's sake, but change to preserve America's ideals — life, liberty, the pursuit of happiness. Though we march to the music of our time, our mission is timeless.

Each generation of Americans must define what it means to be an American.

On behalf of our nation, I salute my predecessor, President Bush, for his half-century of service to America, and I thank the millions of men and women whose steadfastness and sacrifice triumphed over depression, fascism, and communism.

Today, a generation raised in the shadows of the Cold War assumes new responsibilities in a world warmed by the sunshine of freedom, but threatened still by ancient hatreds and new plagues.

Raised in unrivaled prosperity, we inherit an economy that is still the world's strongest, but is weakened by business failures, stagnant wages, increasing inequality and deep divisions among our own people.

When George Washington first took the oath I have just sworn to uphold, news traveled slowly across the land by horseback and across the oceans by boat. Now, the sights and sounds of this ceremony are broadcast instantaneously to billions around the world.

Communications and commerce are global; investment is mobile; technology is almost magical; and ambition for a better life is now universal. We earn our livelihood in America today in peaceful competition with people all across the earth.

Profound and powerful forces are shaking and remaking our world, and the urgent question of our time is whether we can make change our friend and not our enemy.

This new world has already enriched the lives of millions of Americans who are able to compete and win in it. But when most people are working harder for less, when others cannot work at all, when the cost of health care devastates families and threatens to bankrupt our enterprises, great and small, when the fear of crime robs law-abiding citizens of their freedom and when millions of poor children cannot even imagine the lives we are calling them to lead, we have not made change our friend.

We know we have to face hard truths and take strong steps. But we have not done so. Instead, we have drifted, and that drifting has eroded our resources, fractured our economy, and shaken our confidence.

Though our challenges are fearsome, so are our strengths. Americans have ever been a restless, questing, hopeful people. And we must bring to our task today the vision and will of those who came before us.

From our revolution to the Civil War, to the Great Depression, to the civil rights movement, our people have always mustered the determination to construct from these crises the pillars of our history.

Thomas Jefferson believed that to preserve the very foundations of our nation, we would need dramatic change from time to time. My fellow Americans, this is our time. Let us embrace it.

Our democracy must be not only the envy of the world but the engine of our own renewal. There is nothing wrong with America that cannot be cured by what is right with America.

So today, we pledge an end to the era of deadlock and drift, and a new season of American renewal has begun.

To renew America, we must be bold.

We must do what no generation has had to do before. We must invest more in our own people, in their jobs and in their future, and at the same time cut our massive debt. And we must do so in a world in which we must compete for every opportunity.

It will not be easy; it will require sacrifice. But it can be done, and done fairly. Not choosing sacrifice for its own sake, but for our own sake, we must provide for our nation the way a family provides for its children.

Our founders saw themselves in the light of posterity. We can do no less. Anyone who has ever watched a child's eyes wander into sleep knows what posterity is. Posterity is the world to come — the world for whom we hold our ideals, from whom we have borrowed our planet, and to whom we bear sacred responsibility.

We must do what America does best: offer more opportunity to all and demand more responsibility from all.

It is time to break the bad habit of expecting something for nothing, from our government or from each other. Let us all take more responsibility, not only for ourselves and our families but for our communities and our country.

To renew America, we must revitalize our democracy.

This beautiful capital, like every capital since the dawn of civilization, is often a place of intrigue and calculation. Powerful people maneuver for position and worry endlessly about who is in and who is out, who is up and who is down, forgetting those people whose toil and sweat sends us here and pays our way.

Americans deserve better. In this city today, there are people who want to do better. And so I say to all of you here, let us resolve to reform our politics, so that power and privilege no longer shout down the voice of the people. Let us put aside personal advantages so that we can feel the pain and see the promise of America.

Let us resolve to make our government a place for what Franklin Roosevelt called 'bold, persistent experimentation', a government for our tomorrows, not our yesterdays.

Let us give this capital back to the people to whom it belongs.

To renew America, we must meet challenges abroad as well as at home. There is no longer a clear division between what is foreign and what is domestic — the world economy, the world environment, the world AIDS crisis, the world arms race, they affect us all.

Today, as an old order passes, the new world is more free but less stable. Communism's collapse has called forth old animosities and new dangers. Clearly America must continue to lead the world we did so much to make.

While America rebuilds at home, we will not shrink from the challenges, nor fail to seize the opportunities, of this new world. Together with our friends and allies, we will work to shape change, lest it engulf us.

When our vital interests are challenged or the will and conscience of the international community is defied, we will act — with peaceful diplomacy whenever possible, with force when necessary. The brave Americans serving our nation today in the Persian Gulf, in Somalia, and wherever else they stand are testament to our resolve.

But our greatest strength is the power of our ideas, which are still new in many lands. Across the world, we see them embraced and we rejoice. Our hopes, our hearts, our hands, are with those on every continent who are building democracy and freedom. Their cause is America's cause.

The American people have summoned the change we celebrate today. You have raised your voices in an unmistakable chorus. You have cast your votes in historic numbers. And you have changed the face of Congress, the presidency, and the political process itself.

Yes, you, my fellow Americans, have forced the spring.

Now, we must do the work the season demands.

To that work I now turn, with all the authority of my office. I ask the Congress to join with me. But no President, no Congress, no government, can undertake this mission alone.

My fellow Americans, you, too, must play your part in our renewal.

I challenge a new generation of young Americans to a season of service — to act on your idealism by helping troubled children, keeping company with those in need, reconnecting our torn communities. There is so much to be done — enough indeed for millions of others who are still young in spirit to give of themselves in service, too.

In serving, we recognize a simple but powerful truth: We need each other. And we must care for one another.

Today, we do more than celebrate America; we rededicate ourselves to the very idea of America:

- An idea born in revolution and renewed through two centuries of challenge;
- An idea tempered by the knowledge that, but for fate, we — the fortunate and the unfortunate — might have been each other;
- An idea ennobled by the faith that our nation can summon from its myriad diversity the deepest measure of unity;
- An idea infused with the conviction that America's long heroic journey must go forever upward.

And so, my fellow Americans, as we stand at the edge of the 21st Century, let us begin anew with energy and hope, with faith and discipline, and let us work until our work is done. The scripture says, 'And let us not be weary in well-doing, for in due season, we shall reap, if we faint not.'

From this joyful mountain top of celebration, we hear a call to service in the valley.

We have heard the trumpets. We have changed the guard. And now — each in our own way, and with God's help — we must answer the call.

Thank you and God bless you all.

## 11 PRESIDENT CLINTON'S INTERNATIONAL ECONOMIC PROGRAM (1993)

President Clinton came to power after a successful campaign which emphasized the need to address America's domestic economic problems, in contrast to the perceived preoccupation with foreign policy which characterized the Bush Administration. At the American University in Washington, DC on 26 February 1993 President Clinton outlined an economic programme which placed domestic economic well-being and security in its international context. The speech proposes a five-point plan of action in relation to the domestic and global economy. It remains to be seen how successful this plan will be.

[ ... ]

Over the past year, I have tried to speak at some length about what we must do to update our definition of national security and to promote it and to protect it — and to foster democracy and human rights around the world. Today, I want to allude to those matters, but to focus on the economic leadership we must exert at home and abroad as a new global economy unfolds before our eyes.

Twice before in this century, history has asked the United States and other great powers to provide leadership for a world ravaged by war. After World War I, that call went unheeded. Britain was too weakened to lead the world to reconstruction. The United States was too unwilling. The great powers together turned inward as violent, totalitarian power emerged. We raised trade barriers. We sought to humiliate rather than rehabilitate the vanquished. And the result was instability, inflation, then depression and ultimately a second World War.

After the second war, we refused to let history repeat itself. Led by a great American President, Harry Truman, a man of very common roots but uncommon vision, we drew together with other Western powers to reshape a new era. We established NATO to oppose the aggression of communism. We rebuilt the American economy with investments like the GI Bill and a national highway system. We carried out the Marshall Plan to rebuild war-ravaged nations abroad. General MacArthur's vision prevailed in Japan, which built a massive economy and a remarkable democracy. We built new institutions to foster peace and prosperity — the United Nations, the International Monetary Fund, the World Bank, the General Agreement on Tariffs and Trade, and more.

These actions helped to usher in four decades of robust economic growth and collective security. Yet the Cold War was a draining time. We devoted trillions of dollars to it, much more than many of our more visionary leaders thought we should have. We posted our sons and daughters around the world. We lost tens of thousands of them in the defense of freedom and in the pursuit of a containment of communism.

We, my generation, grew up going to school assemblies, learning about what we would do in the event a nuclear war broke out. We were taught to practice ducking under our desks and praying that somehow they might shield us from nuclear radiation. We all learned about whether we needed a bomb shelter in our neighborhood to which we could run in the event that two great superpowers rained nuclear weapons on one another. And that fate, frankly, seemed still frighteningly possible just months before President Kennedy came here to speak in 1963. Now, thanks to his leadership and that of every American president since the Second World War from Harry Truman to George Bush, the Cold War is over.

The Soviet Union itself has disintegrated. The nuclear shadow is receding in the face of the START I and START II agreements, and others that we have made and others yet to come. Democracy is on the march everywhere in the world. It is a new day and a great moment for America.

Yet, across America I hear people raising central questions about our place and our prospects in this new world we have done so much to make. They ask: Will we and our children really have good jobs, first-class opportunities, world-class education, quality affordable health care, safe streets? After having fully defended freedom's ramparts, they want to know if we will share in freedom's bounty.

One of the young public school students President Duffey just introduced was part of the children's program that I did last Saturday with children from around America. If you saw their stories, so many of them raised troubling questions about our capacity to guarantee the fruits of the American Dream to all of our own people.

I believe we can do that, and I believe we must. For in a new global economy, still recovering from the after-effects of the Cold War, a prosperous America is not only good for Americans, as the prime minister of Great Britain reminded me just a couple of days ago, it is absolutely essential for the prosperity of the rest of the world.

Washington can no longer remain caught in the death grip of gridlock, governed by an outmoded ideology that says change is to be resisted, the status quo is to be preserved like King Canute ordering the tide to recede. We cannot do that. And so, my fellow Americans, I submit to you that we stand at the third great moment of decision in the 20th century. Will we repeat the mistakes of the 1920s or the 1930s by turning inward, or will we repeat the successes of the 1940s and the 1950s by reaching outward and improving ourselves as well? I say that if we set a new direction at home, we can set a new direction for the world as well.

The change confronting us in the 1990s is in some ways more difficult than previous times because it is less distinct. It is more complex and in some ways the path is less clear to most of our people still today, even after 20 years of declining relative productivity and a decade or more of stagnant wages and greater effort.

The world clearly remains a dangerous place. Ethnic hatreds, religious strife, the proliferation of weapons of mass destruction, the violation of human rights flagrantly in altogether too many places around the world still call on us to have a sense of national security in which our national defense is an integral part. And the world still calls on us to promote democracy, for even though democracy is on the march in many places in the world, you and I know that it has been thwarted in many places, too. And yet we still face, overarching everything else, this amorphous but profound challenge in the way humankind conducts its commerce.

We cannot let these changes in the global economy carry us passively toward a future of insecurity and instability. For change is the law of life. Whether you like it or not, the world will change much more rapidly in your lifetime than it has in mine.

It is absolutely astonishing the speed with which the sheer volume of knowledge in the world is doubling every few years. And a critical issue before us, and especially before the young people here in this audience, is whether you will grow up in a world where change is your friend or your enemy.

We must challenge the changes now engulfing our world toward America's enduring objectives of peace and prosperity, of democracy and human dignity. And we must work to do it at home and abroad. It is important to

understand the monumental scope of these changes. When I was growing up, business was mostly a local affair. Most farms and firms were owned locally, they borrowed locally, they hired locally, they shipped most of their products to neighboring communities or states within the United States. It was the same for the country as a whole. By and large, we had a domestic economy.

But now we are woven inextricably into the fabric of a global economy. Imports and exports, which accounted for about one in ten dollars when I was growing up, now represent one dollar in every five. Nearly three-quarters of the things that we make in America are subject to competition at home or abroad from foreign producers and foreign providers of services. Whether we see it or not, our daily lives are touched everywhere by the flows of commerce that cross national borders as inexorably as the weather.

Capital clearly has become global. Some 3,000,000 million dollars of capital race around the world every day. And when a firm wants to build a new factory, it can turn to financial markets now open 24 hours a day, from London to Tokyo, from New York to Singapore. Products have clearly become more global. Now, if you buy an American car, it may be an American car built with some parts from Taiwan, designed by Germans, sold with British-made advertisements, or a combination of others in a different mix.

Services have become global. The accounting firm that keeps the books for a small business in Wichita may also be helping new entrepreneurs in Warsaw. And the same fast food restaurant that your family goes to — or at least that I go to — also may well be serving families from Manila to Moscow, and managing its business globally with information, technologies, and satellites.

And most important of all, information has become global and has become king of the global economy. In earlier history, wealth was measured in land, in gold, in oil, in machines. Today, the principal measure of our wealth is information — its quality, its quantity, and the speed with which we acquire it and adapt to it. We need, more than anything else to measure our wealth and our potential by what we know and what we can learn, and what we can do with it. The value and volume of information has soared; the half-life of new ideas has trumped.

Just a few days ago, I was out in Silicon Valley at a remarkable company called Silicon Graphics that has expanded exponentially, partly by developing computer software with a life of 12 months to 18 months, knowing that it will be obsolete after that, and always being ready with a new product to replace it.

We are in a constant race toward innovation that will not end in the lifetime of anyone in this room. What all this means is that the best investment we can make today is in the one resource firmly rooted in our own borders. That is, in the education, the skills, the reasoning capacity and the creativity of our own people.



For all the adventure and opportunity in this global economy, an American cannot approach it without mixed feelings. We still sometimes wish wistfully that everything we really want, particularly those things that produce good wages, could be made in America. We recall simpler times when one product line would be made to endure and last for years. We're angry when we see jobs and factories moving overseas or across the borders or depressing wages here at home when we think there is nothing we can do about it. We worry about our own prosperity being so dependent on events and forces beyond our shores. Could it be that the world's most powerful nation has also given up a significant measure of its sovereignty in the quest to lift the fortunes of people throughout the world?

It is ironic and even painful that the global village we have worked so hard to create has done so much to be the source of higher unemployment and lower wages for some of our people. But that is no wonder. For years our leaders have failed to take the steps that would harness the global economy to the benefit of all of our people. Steps such as investing in our people and their skills, enforcing our trade laws, helping communities hurt by change — in short, putting the American people first without withdrawing from the world and people beyond our borders.

The truth of our age is this — and must be this: Open and competitive commerce will enrich us as a nation. It spurs us to innovate. It forces us to compete. It connects us with new customers. It promotes global growth without which no rich country can hope to grow wealthier. It enables our producers, who are themselves consumers of services and raw materials, to prosper.

And so I say to you in the face of all the pressures to do the reverse, we must compete, not retreat.

Our exports are especially important to us. As bad as the recent recession was, it would have gone on for twice as long had it not been for what we were able to sell to other nations. Every billion dollars of our exports creates nearly 20,000 jobs here, and we now have over seven million export-related jobs in America. They tend to involve better work and better pay. Most are in manufacturing and, on average, they pay almost \$3,500 more per year than the average American job. They are exactly the kind of jobs we need for a new generation of Americans.

American jobs and prosperity are reason enough for us to be working at mastering the essentials of the global economy. But far more is at stake. For this new fabric of commerce will also shape global prosperity or the lack of it, and with it, the prospects of people around the world for democracy, freedom and peace.

We must remember that even with all our problems today, the United States is still the world's strongest engine of growth and progress. We remain the world's largest producer and its largest and most open market. Other nations, such as Germany and Japan, are moving rapidly. They have done better than we have in certain areas. We should respect them for it, and

where appropriate, we should learn from that. But we must also say to them, you, too, must act as engines of global prosperity.

Nonetheless, the fact is that for now and for the foreseeable future, the world looks to us to be the engine of global growth and to be the leaders.

Our leadership is especially important for the world's new and emerging democracies. To grow and deepen their legitimacy, to foster a middle class and a civic culture, they need the ability to tap into a growing global economy. And our security and our prosperity will be greatly affected in the years ahead by how many of these nations can become and stay democracies.

All you have to do to know that is to look at the problems in Somalia, to look at Bosnia, to look at the other trouble spots in the world. If we could make a garden of democracy and prosperity and free enterprise in every part of this globe, the world would be a safer and a better and a more prosperous place for the United States and for all of you to raise your children in.

Let us not minimize the difficulty of this task. Democracy's prospects are dimmed, especially in the developing world by trade barriers and slow global growth. Even though 60 developing nations have reduced their trade barriers in recent years, when you add up the sum of their collective actions, 20 of the 24 developed nations have actually increased their trade barriers in recent years. This is a powerful testament to the painful difficulty of trying to maintain a high-wage economy in a global economy where production is mobile and can quickly fly to a place with low wages.

We have got to focus on how to help our people adapt to these changes, how to maintain a high-wage economy in the United States without ourselves adding to the protectionist direction that so many of the developed nations have taken in the last few years. These barriers in the end will cost the developing world more in lost exports and incomes than all the foreign assistance that developed nations provide, but after that they will begin to undermine our economic prosperity as well.

It's more than a matter of incomes, I remind you — it's a matter of culture and stability. Trade, of course, cannot ensure the survival of new democracies, and we have seen the enduring power of ethnic hatred, the incredible power of ethnic divisions — even among people literate and allegedly understanding — to splinter democracy and to savage the nation state.

But, as philosophers from Thucydides to Adam Smith have noted, the habits of commerce run counter to the habits of war. Just as neighbors who raise each other's barns are less likely to become arsonists, people who raise each other's living standards through commerce are less likely to become combatants. So if we believe in the bonds of democracy, we must resolve to strengthen the bonds of commerce.

Our own nation has the greatest potential to benefit from the emerging economy, but to do so we have to confront the obstacles that stand in our

way. Many of our trading partners cling to unfair practices. Protectionist voices here at home and abroad call for new barriers. Indifferent policies have left too many of our workers and communities exposed to the harsh winds of trade without letting them share in the sheltering prosperity trade has also brought, and without helping them in any way to build new ways to work so they can be rewarded for their efforts in global commerce.

Cooperation among the major powers toward world growth is not working well at all today. And most of all, we simply haven't done enough to prepare our own people and to produce our own resources so that we can face with success the rigors of the new world. We can change all that if we have the will to do it. Leonardo da Vinci said that God sells all things at the price of labor. Our labor must be to make this change.

I believe there are five steps we can and must take to set a new direction at home and to help create a new direction for the world. First, we simply have to get our own economic house in order. I have outlined a new national economic strategy that will give America the new direction we require to meet our challenges. It seeks to do what no generation of Americans has ever been called upon to do before: to increase investment in our productive future, and to reduce our deficit at the same time.

We must do both. A plan that only plays down the deficit without investing in those things that make us more productive will not make us stronger. A plan that only invests more money without bringing down the deficit will weaken the fabric of our overall economy such that even educated and productive people cannot succeed in it.

It is more difficult to do both. The challenges are more abrasive — you have to cut more other spending and raise more other taxes. But it is essential that we do both — invest so that we can compete; bring down the debt so that we can compete. The future of the American dream and the fate of our economy and much of the world's economy hangs in the balance on what happens in this city in the next few months.

Already the voices of inertia and self-interest have said, well, we shouldn't do this or this or that detail is wrong with that plan. But almost no one has taken up my original challenge that anyone who has any specific ideas about how we can cut more should simply come forward with them. I am genuinely open to new ideas to cut inessential spending and to make the kinds of dramatic changes in the way government works that all of us know we have to make. I don't care whether they come from Republicans or Democrats or I don't even care whether they come from home or abroad. I don't care who gets the credit, but I do care that we not vary from our determination to pass a plan that increases investment and reduces the deficit.

I think every one of you who is a student at this university has a far bigger stake in the future than I do. I have lived in all probability more than half my life with benefits far beyond anything I ever dreamed or deserve because my country worked. And I want my country to work for you.

The plan I have offered is assuredly not perfect, but it is an honest and bold attempt to honestly confront the challenges before us, to secure the foundations of our economic growth, to expand the resources, the confidence and the moral suasion we need to continue our global leadership into the next century.

And I plead with all of you to do everything you can to replace the blame game that has dominated this city too long with the bigger game of competing and winning in the global economy.

Second, it is time for us to make trade a priority element of American security. For too long, debates over trade have been dominated by voices from the extremes. One says government should build walls to protect firms from competition. Another says government should do nothing in the face of foreign competition, no matter what the dimension and shape of that competition is, no matter what the consequences are in terms of job losses, trade dislocations, or crushed incomes.

Neither view takes on the hard work of creating a more open trading system that enables us and our trading partners to prosper. Neither steps up to the task of empowering our workers to compete or of ensuring that there is some compact of shared responsibility regarding trade's impact on our people, or of guaranteeing a continuous flow of investment into emerging areas of new technology which will create the high-wage jobs of the 21st century.

Our administration is now developing a comprehensive trade policy that will step up to those challenges. And I want to describe the principles upon which it will rest. It will not be a policy of blame, but one of responsibility. It will say to our trading partners that we value their business, but none of us should expect something for nothing.

We will continue to welcome foreign products and services into our markets, but insist that our products and services be able to enter theirs on equal terms. We will welcome foreign investment in our businesses knowing that with it come new ideas as well as capital — new technologies, new management techniques and new opportunities for us to learn from one another and grow. But as we welcome that investment, we insist that our investors should be equally welcome in other countries.

We welcome the subsidiaries of foreign companies on our soil. We appreciate the jobs they create and the products and services they bring. But we do insist simply that they pay the same taxes on the same income that our companies do for doing the same business.

Our trade policy will be part of an integrated economic program, not just something we use to compensate for the lack of a domestic agenda. We must enforce our trade laws and our agreements with all the tools and energy at our disposal. But there is much about our competitive posture that simply cannot be straightened out by trade retaliation. Better-educated and trained workers, a lower deficit, stable, low interest rates, a reformed health care system, world-class technologies, revived cities: these must be the steel of our competitive edge. And there must be a continuing quest by business

and labor and, yes, by government for higher and higher and higher levels of productivity.

Too many of the chains that have hobbled us in world trade have been made in America. Our trade policy will also bypass the distracting debates over whether efforts should be multilateral, regional, bilateral, unilateral. The fact is that each of these efforts has its place. Certainly we need to seek to open other nations' markets and to establish clear and enforceable rules on which to expand trade.

That is why I'm committed to a prompt and successful completion of the Uruguay Round of the GATT talks. That round has dragged on entirely too long. But it still holds the potential, if other nations do their share and we do ours to boost American wages and living standards significantly and to do the same for other nations around the world.

We also know that regional and bilateral agreements provide opportunities to explore new kinds of trade concerns, such as how trade relates to policies affecting the environment and labor standards and the antitrust laws. And these agreements, once concluded, can act as a magnet including other countries to drop barriers and to open their trading systems.

The North American Free Trade Agreement is a good example. It began as an agreement with Canada, which I strongly supported, which has now led to a pact with Mexico as well. That agreement holds the potential to create many, many jobs in America over the next decade if it is joined with others to ensure that the environment, that living standards, that working conditions, are honored — that we can literally know that we are going to raise the condition of people in America and in Mexico. We have a vested interest in a wealthier, stronger Mexico, but we need to do it on terms that are good for our people.

And we should work with organizations, such as the Asian-Pacific Economic Cooperation Forum, to liberalize our trade across the Pacific as well.

And let me say just a moment about this. I am proud of the contribution America has made to prosperity in Asia and to the march of democracy. I have seen it in Japan after World War II. I have seen it, then, in Taiwan as a country became more progressive and less repressive at the same time. I have seen it in Korea as a country has become more progressive and more open. And we are now making a major contribution to the astonishing revitalization of the Chinese economy, now growing at 10 percent a year, with the United States buying a huge percentage of those imports. And I say, I want to continue that partnership, but I also think we have a right to expect progress in human rights and democracy and should support that progress.

Third, it is time for us to do our best to exercise leadership among the major financial powers to improve our coordination on behalf of global economic growth. At a time when capital is mobile and highly fungible, we simply cannot afford to work at cross-purposes with the other major industrial democracies. Our major partners must work harder and more closely with

us to reduce interest rates, stimulate investment, reduce structural barriers to trade and to restore robust global growth. And we must look anew at institutions we use to chart our way in the global economy and ask whether they are serving our interests in this new world, or whether we need to modify them or create others.

Tomorrow, our Treasury secretary, Secretary Bentsen, and the Federal Reserve Board chairman, Alan Greenspan, will meet with their counterparts from these Group of Seven nations to begin that work. And I look forward to meeting with the G-7 heads of state and the representatives of the European Community at our Tokyo Summit in July. I am especially hopeful that by then our economic package here at home will have been substantially enacted by the Congress. And if that is so, I will be able to say to my counterparts, you have been telling us for years that America must reduce its debt and put its own house in order. You have been saying to us for years we must increase investment in our own education and technology to improve productivity. We have done it. We have done it for ourselves, we have done it for you, now you must work with us in Germany and Japan and other nations to promote global growth.

We have to work with these nations. None of us are very good at it. America doesn't want to give up its prerogatives. The Japanese don't want to give up theirs. The Germans don't want to give up theirs. There are deep and ingrained traditions in all these nations. But the fact is that the world can't grow if America is in recession, but it will be difficult for us to grow coming out of this recovery unless we can spark a renewed round of growth in Europe and in Japan. We have got to try to work more closely together.

Fourthly, we need to promote the steady expansion of growth in the developing world, not only because it's in our interests, but because it will help them as well. These nations are a rapidly expanding market for our products — some three million American jobs flow from exports to the developing world. Indeed, because of unilateral actions taken by Mexico over the last few years, the volume of our trade has increased dramatically, and our trade deficit has disappeared.

Our ability to protect the global environment and our ability to combat the flow of illegal narcotics also rests in large measure on the relationships we develop commercially with the developing world.

There is a great deal that we can do to open the flow of goods and services. Our aid policies must do more to address population pressures; to support environmentally responsible, sustainable development; to promote more accountable government — and to foster a fair distribution of the fruits of growth among an increasingly restive world population — where over 1,000 million people still exist on barely a dollar a day. These efforts will reap us dividends of trade, of friendship and peace.

The final step we must take, my fellow Americans, is toward the success of democracy in Russia and in the world's other new democracies. The perils facing Russia and other former Soviet republics are especially acute and

especially important to our future. For the reductions in our defense spending that are an important part of our economic program over the long run here at home are only tenable as long as Russia and the other nuclear republics pose a diminishing threat to our security and to the security of our allies and the democracies throughout the world. Most worrisome is Russia's precarious economic condition. If the economic reforms begun by President Yeltsin are abandoned, if hyperinflation cannot be stemmed, the world will suffer.

Consider the implications for Europe if millions of Russian citizens decide they have no alternative but to flee to the West where wages are 50 times higher. Consider the implication for the global environment if all the Chernobyl-style nuclear plants are forced to start operating there without spare parts, when we should be in phased stage of building them and shutting them down — building them down, closing them up, cleaning them up. If we are willing to spend trillions of dollars to ensure communism's defeat in the Cold War, surely we should be willing to invest a tiny fraction of that to support democracy's success where communism failed.

To be sure, the former Soviet republics and especially Russia, must be willing to assume most of the hard work and high cost of the reconstruction process.<sup>5</sup> But then again, remember that the Marshall Plan itself financed only a small fraction of postwar investments in Europe. It was a magnet, a beginning, a confidence-building measure, a way of starting a process that turned out to produce an economic miracle.

Like Europe then, these republics now have a wealth of resources and talent and potential. And with carefully targeted assistance, conditioned on progress toward reform and arms control and non-proliferation, we can improve our own security and our future prosperity at the same time we extend democracy's reach.

These five steps constitute an agenda for American action in a global economy. As such, they constitute an agenda for our own prosperity as well. Some may wish we could pursue our own domestic effort strictly through domestic policies, as we have understood them in the past. But in this global economy, there is no such thing as a purely domestic policy. This thing we call the global economy is unruly; it's a bucking bronco that often lands with its feet on different sides of old lines, and sometimes with its whole body on us. But if we are to ride the bronco into the next century, we must harness the whole horse, not just part of it.

I know there are those in this country, in both political parties and all across the land, who say that we should not try to take this ride, that these goals are too ambitious, that we should withdraw and focus only on those things which we have to do at home. But I believe that would be a sad mistake and a great loss. For the new world toward which we are moving actually favors us. We are better equipped than any other people on earth by reason of our history, our culture and our disposition, to change, to lead and to prosper. The experience of the last few years where we have stubbornly

refused to make the adjustment we need to compete and win are actually atypical and unusual seen against the backdrop of our nation's history.

Look now at our immigrant nation and think of the world toward which we are tending. Look at how diverse and multi-ethnic and multi-lingual we are — in a world in which the ability to communicate with all kinds of people from all over the world and to understand them will be critical. Look at our civic habits of tolerance and respect. They are not perfect in our own eyes. It grieved us all when there was so much trouble a year ago in Los Angeles. But Los Angeles is a country (sic) with 150 different ethnic groups of widely differing levels of education and access to capital and income. It is a miracle that we get along as well as we do. And all you have to do is to look at Bosnia, where the differences were not so great, to see how well we have done in spite of all of our difficulties.

And look at the way our culture has merged technology and values. This is an expressive land that produced CNN and MTV. We were all born for the information age. This is a jazzy nation, thank goodness, for my sake. It created be-bop and hip-hop and all those other things. We are wired for real time. And we have always been a nation of pioneers. Consider the astonishing outpouring of support for the challenges I laid down last week in an economic program that violates every American's narrow special interest if you just take part of it out and look at it.

And, yet, here we are again, ready to accept a new challenge, ready to seek new change because we're curious and restless and bold. It flows out of our heritage. It's ingrained in the soul of Americans. It's no accident that our nation has steadily expanded the frontiers of democracy, of religious tolerance, of racial justice, of equality for all people, of environmental protection and technology and, indeed, the cosmos itself. For it is our nature to reach out, and reaching out has served not only ourselves, but the world as well.

Now, together, it is time for us to reach out again. Toward tomorrow's economy. Toward a better future. Toward a new direction. Toward securing for you, the students at American University, the American Dream.



## Democracy's slow death

*A "de facto world government," led by transnational corporations, is now taking shape.*

by Noam Chomsky

Thomas Jefferson once warned of the dangers posed by a "single and splendid government of an aristocracy, founded on banking institutions and moneyed incorporations," through which the few would be "riding and ruling over the plundered ploughman and beggared yeomanry." Today, Jefferson's nightmare is being realized beyond anything he might have dreamed.

In the *Financial Times*, BBC economics correspondent James Morgan describes the "de facto world government" that is now taking shape: the International Monetary Fund (IMF), the World Bank, G-7, General Agreement on Tariffs and Trade (GATT) and other structures designed to serve the interests of transnational corporations (TNCs), banks and investment firms in a "new imperial age." At the other

end of the bludgeon, the nongovernmental South Commission (consisting of leading Third World economists, government planners, religious leaders and others) observe that "the most powerful countries in the North have become a de facto board of management for the world economy, protecting their interests and imposing their will on the South," where governments "are then left to face the wrath, even the violence, of their own people, whose standards of living are being depressed for the sake of preserving the present patterns of operation of the world economy"—that is, the present structure of wealth and power.

A particularly valuable feature of the rising de facto government institutions is their immunity from popular influence, even awareness. They operate in secret, creating a world subordinated to the needs of investors, with the public "put in place," the threat of democracy reduced. This reversal of the expansion of democracy over the past centuries is a matter of no slight importance, alongside the new forms of perversion of classical liberal doctrine in the international economy.

These developments are naturally regarded with much concern throughout the Southern Hemisphere, and the growing Third World at home should be no less concerned. In his last address to the Group of 77, which represents more than 100 of the less developed nations, Chairman Luis Fernando Jaramillo of Colombia contemplated the "hostile international environment" and the "loss of economic and political standing" of the developing nations "in the so-called New World Order ... at the dawn of the 21st century." These factors cause real adversity that contrasts sharply with the "euphoria" engendered by the agreement of international elites. The strategy of the rich, Jaramillo observed, is "clearly directed at strengthening more and more the economic institutions and agencies that operate outside the United Nations system," which, with all its serious flaws, remains "the only multilateral mechanism in which the developing countries can have some say."

In contrast, institutions such as the World Bank and IMF that are being made "the center of gravity for the principal economic decisions that affect the developing countries" are marked by "their undemocratic character, their lack of transparency, their dogmatic principles, their lack of pluralism in the debate of ideas and their impotence to influence the policies of the industrialized countries"—whose dominant sectors they serve, in reality.

The new World Trade Organization established by the latest GATT agreements will align itself with the World Bank and the IMF in "a New Institutional Trinity which would have as its specific function to control and dominate the economic relations that commit the developing world,"

according to Jaramillo, while the industrialized countries will make "their own deals ... outside normal channels," in G-7 meetings and elsewhere.

A similar perception was expressed at a conference organized by Jesuits in San Salvador in January 1994. Its report concludes that "Central America today is experiencing globalization as a more devastating pillage than what its people underwent 500 years ago with the conquest and colonialization," a comment that generalizes to much of the "developing world." The new dominant force is not the market but rather "a strong transnational state that dictates economic policy and plans resource allocation. The IMF, World Bank, International Development Bank, U.S. Agency for International Development, European Community, U.N. Development Program and their ilk are all state or interstate institutions of a transnational character that have much greater economic influence over our countries than the market."

Moreover, the institutions of the transnational state largely serve other masters, as state power typically does; in this case, the rising transnational corporations in the domains of finance and other services, manufacturing, media and communications—institutions that are totalitarian in internal structure, quite unaccountable, absolutist in character and immense in power. Within them, a participant takes a place in a fairly rigid hierarchy of domination, implementing orders from above, transmitting them downwards. Those outside may try to rent themselves to the masters and may purchase what they produce, but few other options are open to the great mass of the population.

One consequence of the globalization of the economy is the rise of new governing institutions to serve the interests of transnational economic power. Another is the spread of the two-tiered Third World social model to the industrial world. The United States is taking the lead, another consequence of the unusual power and class consciousness of the business sector, which has been able to resist the social contract that popular struggle has achieved elsewhere. Increasingly, production can be shifted to low-wage areas, and directed to privileged sectors in the global economy. Large parts of the population thus become superfluous for production and perhaps even as a market, unlike the days when Henry Ford realized that he could not sell cars unless his workers had a decent wage in a more national economy.

GATT, NAFTA and the like are called "free trade" agreements. That is a misdescription. Firstly, the term "trade" hardly applies to a system in which some 40 percent of U.S. "trade" is intrafirm, centrally managed by the same highly visible hands that control planning, production and investment. Over half of U.S. "exports" to Mexico, for example, do not enter the Mexican market, consisting of transfers from one to another branch of a U.S. corporation, to maximize gains from lower labor costs and environmental standards. Such internal operations (including pricing policies aimed at tax benefits and the like) also introduce various market distortions that amount to non-governmental non-tariff barriers of no small scale, though not consid-

ered in the trade agreements and the neoliberal fetishism that accompanies them.

Calculations of alleged trade efficiencies overlook numerous other factors. Former World Bank senior economist Herman Daly notes that they do not take into account such matters as the artificial reduction of transport costs by government subsidy of energy through investment tax credits and research, as well as military expenditures that ensure access to petroleum and control its price, which is a large part of the function of the Pentagon system. Environmental costs of fuel-burning are also "externalized," another factor that would greatly reduce the alleged advantages of trade. In the case of U.S.-Mexico trade, Daly observes, "U.S. corn subsidized by depleting topsoil, aquifers, oil wells and the federal treasury can be freely imported" to Mexico, so that "it is likely that NAFTA will ruin Mexican peasants when "inexpensive" U.S. agribusiness exports, subsidized in such ways, undercut them and drive them to the cities, lowering wages there, and indirectly in the United States as well.

In an important critical analysis of GATT, Daly and fellow World Bank economist Robert Goodland point out that in prevailing economic theory, "firms are islands of central planning in a sea of market relationships." "As the islands get bigger," they note, "there is really no reason to claim victory for the market principle"—particularly as the islands approach the scale of the sea.

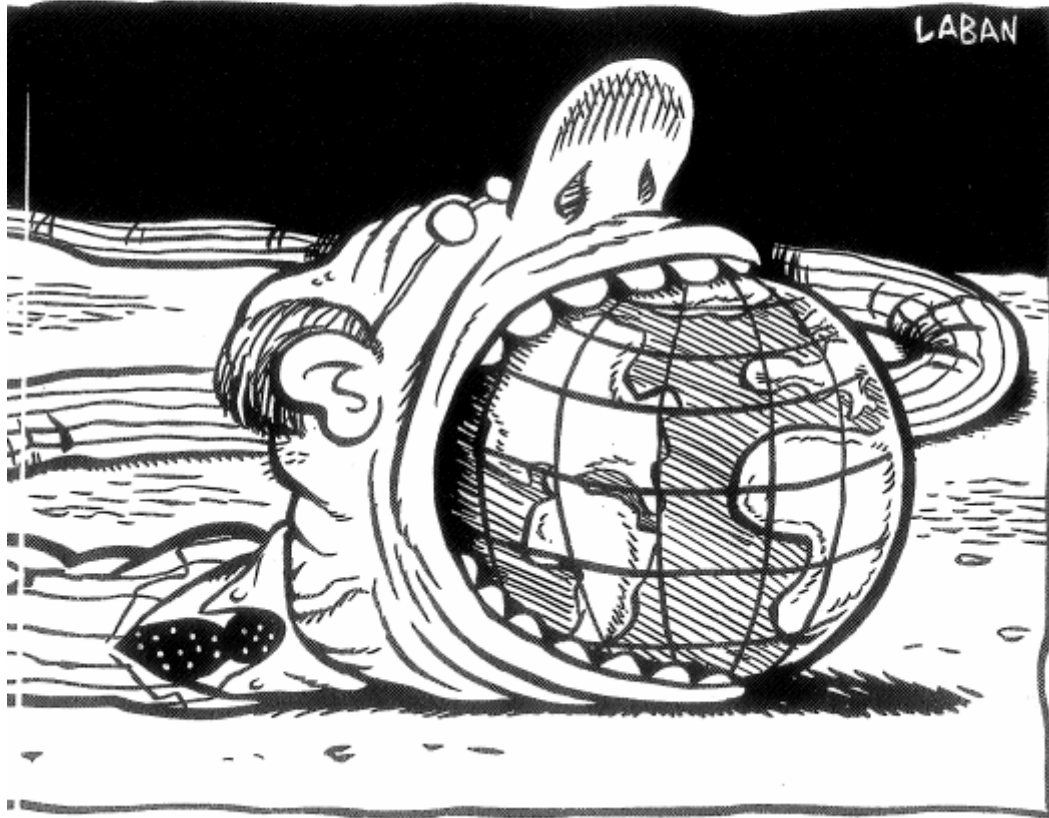
Apart from not being remotely "free," the "free trade" agreements are only partially related to "trade," not only



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because they enhance the power of TNCs and thus reduce "trade" (in any meaningful sense). The agreements go far beyond trade. One leading feature is the demand for liberalization of finance and services, which means allowing international banks to displace domestic rivals so that no country can carry out the kind of national economic planning

In other ways as well, the current trade agreements reflect the hostility of the "rich nations" to the neoliberal doctrines that are imposed on the poor to ensure more efficient plunder. One primary U.S. objective is increased protection for "intellectual property," including software and patents, with patent rights extending to process as well as product. The



that enabled the rich countries to develop. And, needless to say, Adam Smith's principle that "free circulation of labor" is one of the cornerstones of free trade, while constantly invoked by the Third World, is dismissed out of hand by the champions of neoliberalism, who also have little use for their hero's conclusion that working people will be devastated by market forces "unless government takes some pains to prevent" this outcome, as must be assured in "every improved and civilized society." Furthermore, the rich powers, and dominant elements within, remain opposed to free trade as they commonly have been, except when they feel they can prevail in competition.

U.S. International Trade Commission estimates that U.S. companies stand to gain \$61 billion a year from the Third World if U.S. protectionist demands are satisfied in GATT (as they are in NAFTA), a cost to the South that will dwarf the huge debt service flow when extrapolated to other industrial countries. Such doctrines—which the United States and other rich countries never accepted when they were developing—are designed to ensure that U.S.-based corporations control the technology of the future, including biotechnology, which, it is hoped, will allow state-subsidized private enterprise to control health and agriculture, and the means of life generally, locking the poor majority

into dependence on high-priced products of Western agribusiness, biotechnology, the pharmaceutical industry and so on.

Exactly as intended, market reforms have undermined the basis for functioning democracy, leaving people isolated, "each for oneself," if not yet "crushed" as in Eastern Europe and other places mired more deeply in Third World misery. One finds much the same in American working-class communities, where people who once struggled courageously and successfully for social justice and human rights are now often hopeless, demoralized and alone. Among the deeply impoverished of America's growing Third World, criminal violence and other forms of social pathology have reached shocking proportions as human values erode under the impact of selective marketization.

Neither at home nor abroad does the real world resemble the dreamy fantasies now fashionable about history converging to an ideal of free markets and democracy, "a future for which America is both the gatekeeper and the model."

A more accurate description would bring together the features that have come more vividly into view over the past 20 years. In the New World Order, the world is to be run by the rich and for the rich. The world system is nothing like a classical market; the term "corporate mercantilism" is a closer fit. Governance is increasingly in the hands of huge private institutions and their representatives. The institutions are totalitarian in character: in a corporation, power flows from top down, with the outside public excluded. In the dictatorial system known as "free enterprise," power over investment decisions, production and commerce is centralized and sacrosanct, exempt from influence and control by workers and community as a matter of principle and law. Systems of private governance have gained undreamed-of power. They have naturally used it to create the "de facto world government" described in the business press, with its own institutions, also insulated from public inspection or influence. National governments, which in varying ways involve some measure of public participation, are constrained by such factors to serve the interests of the rich and powerful even more than in the past.

There is little that is new in neoliberal programs, trickle-down theories and the rest of the doctrinal baggage that serves the interests of privilege and power. The ideology of oppression may differ in form when applied to Third World service areas and domestic populations, but similarities are apparent, and current enthusiasms are hardly more than a recapitulation, often sordid, of earlier devices to justify the privilege of those who hold the reins. As in the early 19th century, we are now once more to understand that it is a violation of natural liberty and even science to deceive people into thinking that they have some rights beyond what they can gain by selling their labor power. Any effort to depart from such right thinking leads directly to the Gulag, leading thinkers soberly explain.

Amid an atmosphere of general dismay and fear, there are also signs of resistance, taking varied forms. Compare

two cases: the 1992 riots in South-Central Los Angeles and the Mayan uprising in Chiapas, Mexico, on January 1, 1994. In both cases, the uprising reflected the increasing marginalization of people who do not contribute to profit-making under prevailing institutional arrangements, and therefore lack human rights or value. People who live in the slums of Los Angeles once had jobs, in part in the state sector that plays a critical role in the "free market capitalist" society, in part in factories that have been shifted to places where labor can be more savagely exploited and destruction of the environment can proceed unhampered. By absolute measures, they are considerably wealthier than the Mayans of Chiapas, who recognize that what remains of their lives faces destruction as the investor rights agreements (NAFTA, GATT) extend their sway. But the Los Angeles riots proceeded quite differently from the Chiapas rebellion. The contrast reflects the difference between communities that have become demoralized and devastated by external forces and others that have retained their inner cohesion and vitality. The specific problems that lie ahead are quite different; the crying need for solidarity and constructive participation could hardly be more clear, in the face of the "global experiment" now under way.

The nature of the experiment is graphically illustrated by a report of the International Labor Organization (ILO), which estimates that about 30 percent of the world's labor force was unemployed in January 1994, unable to earn enough to sustain a minimum standard of living. This "long-term persistent unemployment" is a crisis on the scale of the Great Depression, the ILO concludes. Vast unemployment persists alongside of huge demands for labor. Wherever one looks, there is work to be done of great social and human value, and there are plenty of people eager to do that work. But the economic system cannot bring together needed work and the idle hands of suffering people. Its concept of "economic health" is geared to the demands of profit, not the needs of people. In brief, the economic system is a catastrophic failure. Of course, it is hailed as a grand success, as indeed it is for a narrow sector of privileged people, including those who declare its virtues and triumphs.

How far can this go? Will it really be possible to construct

an international society on something like the Third World model, with islands of great privilege in a sea of misery—fairly large islands, in the richer countries—and with controls of a totalitarian nature within democratic forms that increasingly become a facade? Or will popular resistance, which must itself become internationalized to succeed, be able to dismantle these evolving structures of violence and domination, and carry forth the centuries-old process of expansion of freedom, justice and democracy that is now being aborted, even reversed? These are the large questions for the future.

◀ Noam Chomsky is the author of numerous books on international politics and economics. This essay was adapted from *World Orders Old and New*, published this month by Columbia University Press. Copyright © 1994 by Noam Chomsky. Reprinted by arrangement with the publisher and author.

## E D I T O R I A L

# MEXICAN CRISIS NEGATES NAFTA PROMISES

**I**n the bad old days of the Cold War, Soviet and Chinese rulers were faulted for imposing terrible hardship on their people—hardship the Communists claimed was necessary in order to achieve a future life of ease and security for everyone.

Today, the World Bank and the IMF make oddly similar claims as they defend austerity measures that they insist will bring a better life in the by-and-by—if only ordinary workers and small businesspeople will accept steadily declining living standards in the here-and-now.

These austerity schemes have been imposed worldwide. But except for a few corporate giants, 50 years of World Bank and IMF policies have brought misery for just about everyone, everywhere. In Eastern Europe, in countries like Poland and Lithuania where democratic elections are still open and fluid, the harsh reality of these “free market” impositions has resulted in the defeat of the initial democratic reformers and the election to office of former Communists, now “democratic socialists.” In the Third World, where elections are more tightly controlled by the ruling elites, these policies have simply caused increasing misery and, in some cases, incipient threats of insurrection, or, as in Mexico, the beginnings of real insurrection.

*The peso's collapse will slow exports to Mexico and lower Mexican wages. For American workers that will mean fewer jobs and increased pressure to keep wages low.*

In the United States, Republicans and Clinton Democrats alike have promoted free trade—as defined by NAFTA and GATT—as a panacea for problems of development as well as profitability. In their campaign to ratify NAFTA, Clinton and his Republican allies presented Mexico as a model of modernization in the World Bank/IMF mold. But the collapse of the peso, and with it the facade of government credibility, has

dealt a heavy blow to the myth that domestic austerity and export-based development are beneficial not only to investors, but also to ordinary workers and small business owners.

The Mexican crisis occurred because the peso was pegged to the dollar at the artificially high rate of three to one. This made imported goods cheap and exports pricey, which resulted in a trade deficit of nearly \$30 billion in 1994, the biggest trade imbalance in Mexico's history. The trade deficit, in turn, led to a draining of Mexico's foreign currency reserves from some \$2.5 billion to \$6.5 billion, barely enough

to cover two months of imports. This situation was hidden from the public as best it could be by the outgoing regime of Carlos Salinas de Gortari. But when Mexico's new president, Ernesto Zedillo Ponce de León, took office in December things rapidly unraveled. Zedillo was forced by events to allow the peso to trade freely, and it promptly lost half of its value, falling to nearly six to the dollar.

This, of course, caused panic on Wall Street, and especially among the U.S. holders of \$30-35 billion in Mexican stocks, government bonds and other peso-based interest-bearing securities who saw the value of their holdings cut nearly in half overnight. In turn, the Zedillo administration was forced to scramble in order to pacify the U.S. investors, who own \$45-50 billion of the \$73 billion in foreign investment in Mexico, and who have been seen as the motor of the Mexican miracle.

So Zedillo did his duty. He announced a new program of austerity in which growth will be lowered from 4.5 percent a year to 1.5 percent, inflation will soar to 19 percent, up from 7 percent in 1994 and from the previously projected 4 percent rate for this year. Profitable government-owned businesses will be offered for sale, and workers will be held to a 7 percent increase in actual wages, or to a substantial cut in real wages in 1995, and presumably beyond.

The purpose of all this is to boost Mexican exports and to reduce their imports. But NAFTA was sold to the American people on the theory that it would increase employment here—despite the loss of jobs to maquiladoras—because American exports to Mexico would grow rapidly. Now, the opposite is true.

Further, we were assured, Mexican wages would go up as a result of expanded free trade, and the consequent new demand for labor in Mexico. But now growth will be slowed and real wages will fall even more rapidly, thereby putting pressure on American workers seeking increased pay at home.

In short, we have been sold a bill of goods. As in all the recent World Bank/IMF development plans, the net result may be higher corporate profits, but the vast majority of the population both in the target country and the United States will suffer declines in real income and in power over decisions that affect their lives. ◀

# MAQUILA MENACE

## GUATEMALAN WOMEN DEFY THEIR BRUTAL BOSSES

BY ARNIE ALPERT AND JUDY ELLIOTT

In March of 1995, Yovany Gomez, a union leader at the RCA maquiladora factory in Guatemala, was murdered. Gomez was kidnapped March 13, and his body was discovered in a ravine five days later. While Gomez was Guatemala's first maquila-sector unionist to be assassinated, violence against union activists and members is common.

In Guatemala, thugs can be hired cheaply and the risk of punishment is negligible. "Despite hundreds of violent attacks on Guatemalan trade unionists over the past three years, including murder, disappearances, torture, beatings, and death threats, not a single person has been charged let alone prosecuted," says the U.S./Guatemala Labor Education Project (US/GLEP), a Chicago-based group that supports the rights of Guatemalan workers.

Employment at export assembly plants, known as maquiladoras, or maquilas, has grown dramatically in Guatemala, from less than two thousand in 1984 to 70,000 in 1994, according to one estimate. In 1994, Guatemalan apparel exports, most of which were produced in maquilas, totaled \$590

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million. Maquilas are now second in importance to coffee for Guatemala's export economy.

Most Guatemalan maquilas specialize in assembling clothing. The apparel is usually designed and cut out by skilled workers in the United States. Then the pieces are shipped to Guatemala, where workers get paid around \$3 a day to stitch them together for export back to the United States. Maquila goods

qualify for reduced tariffs upon re-entry to the United States, and host countries such as Guatemala generally offer tax breaks at their end as well.

Women dominate the maquila workforce. Most are young and unmarried, with 30% to 45% under 18. While exploitation is fierce and conditions degrading, these factories offer women employment opportunities not otherwise available. Women have also become active in labor organizing, with consequences that reveal not only the powerful obstacles they face, but also the leadership they have taken in spite of the odds. And their experience suggests that assistance from international solidarity movements can be vitally important.

### THE LAST RESORT

In a society where women have traditionally worked in their homes or as domestic servants, the emergence of women in manufacturing is a major development. What lies behind the change? First, as companies shift assembly jobs from First to Third World countries, they seek the most exploitable workers available, and so maquila owners prefer a young, female labor force. Employers believe that women have the fine manual dexterity and patience required for sewing. Unmarried women demand less pay, take less time off, and are less likely to require pregnancy benefits. And young women have more endurance to withstand grueling maquila conditions. Just as important, employers see female workers as docile, less likely than males to protest maltreatment. According to one employer interviewed by Kurt Petersen (author of *The Maquiladora Revolution in Guatemala*), "Men are more likely to form unions. Women do not have this mentality. They are more prone to do what you tell them without questioning."

While this explains why maquilas prefer to hire young women, other changes in Guatemalan society explain why

young women would accept long hours and terrible working conditions to earn poverty wages in maquilas. One factor is the urban migration of many Guatemalan families. Until recently, most Guatemalan families, the majority of whom are of Mayan Indian ancestry and culture, were farmers. But land ownership is extremely unequal, with 65% of the farmland owned by 2% of the landowners, and meaningful land reform has never been achieved.

In addition, as the population has risen, children have inherited shrinking plots from their parents. Due to both these factors, many rural families lack sufficient acreage to grow the corn and beans that form the core of their diet. The lack of land drives them from rural areas into Guatemala's cities.

The political repression of recent generations has caused further dislocations. Ever since a U.S.-sponsored coup toppled the popularly-elected Jacobo Arbenz in 1954, Guatemala has been ruled by military or military-dominated governments which have brutally repressed popular social movements. In the early 1980s, in an effort to uproot a growing insurgency movement, the military and military-

tions and internal repression combined to cause per capita incomes to plunge in the early 1980s. The government's neoliberal response of devaluation, lower social spending, regressive taxation, and privatization have hit the poor especially hard. Over 80% of Guatemalan families live in poverty, and over 60% cannot even meet basic nutritional needs.

In response to declining living standards, many young women have turned to maquila work to supplement family incomes. According to one woman interviewed by Kurt Petersen, "I would not be working in this horrible factory...unless it was absolutely necessary. My father does not have a job and so we — the girls — had to find work. I went to the maquila because I knew they would hire me. I want to be in school but I am here. I do not like it but what is one to do?"

A final reason that women have turned to maquilas is the lack of other good opportunities for paid employment. Outside the maquila sector, industrial work has traditionally been dominated by men, while the traditional source of paid employment for young women has been domestic

service. The minimum daily maquila wage of about \$3 a day is almost twice what young women can earn working as domestics. Maquila jobs, bad as they are, can represent a step up.

Young women working in maquilas confront abysmal working conditions. In addition to low pay, they may face long hours of mandatory overtime, often enforced by locking doors to prevent them from leaving. Physical conditions may include extreme temperatures, lack of ventilation, and lack of access to toilet facilities and potable water. Health insurance and social security premiums may be deducted from

wages, without ever being deposited for the benefit of workers. Supervisors often beat workers. Sexual harassment and assault are common occupational hazards. Workplaces may shut down and move without paying workers.

#### DEATH THREATS

Yet despite their reputation for docility, some women maquila workers have formed labor unions to fight for better working conditions. They face daunting obstacles. The government's dismal record of labor law enforcement



In the May Day march in Guatemala City, unionists carry a banner reading, "Worker's rights are not to be begged for, but demanded and respected."

sponsored death squads launched a reign of terror in which 140,000 Guatemalan civilians were killed or "disappeared" and 440 villages were destroyed. As a result, many Guatemalans were widowed or orphaned. Thousands of families fled to neighboring countries, and still more became internal refugees, resettling in cities, often in squatter camps.

The displacement of Guatemalan families has meant that traditional income sources are no longer available to many male family members. New sources must be found, and this often means sending the family's daughters to work.

The global economy and neoliberal economic policies have also put pressure on families. World market condi-

*Continued on page 32*

# LABOR

## CRIMES OF FASHION

### 3. EL SALVADOR THOSE WHO SUFFER TO BRING YOU GAP T-SHIRTS

BY MARC BRESLOW

At a maquiladora plant owned by Mandarin International in El Salvador, Judith Viera earned \$43 for working an 88-hour week. Conditions were horrific: the young, female workers are allowed only two bathroom breaks a day, the drinking water is contaminated, and beatings and sexual abuse are commonplace. When Viera and her co-workers tried to improve conditions by organizing a union, the company responded with violence and mass firings.

Mandarin sells to the Gap and Eddie Bauer, among other U.S. firms. Its plant can produce 1,500 Gap t-shirts a day, which sell for \$20 each in the United States — while the maquiladora workers are paid 16 cents per shirt. By not owning Mandarin and similar factories, the Gap and other retailers avoid direct responsibility for pitiful wages and abusive conditions.

Meanwhile, in 1994 the Gap made \$311 million in profits from its 1,300 stores throughout the United States and Canada. And Gap CEO Donald Fisher paid himself \$2 million, not including stock options.

The Gap is not alone. Other popular U.S. retailers also buy from maquila firms in El Salvador, Honduras, Guatemala, and elsewhere. Gabo, for example, a Korean-owned plant also in El Salvador, sells to Marshall's, Sears, Wal-Mart, and Nordstrom's. Not only are the wages meager, but the company of-

ten cheats the women workers on their paychecks. In addition, while collecting social security taxes from its employees, Gabo regularly fails to give the money to the government, preventing the women from receiving free health care.

In July 1995 the National Labor Committee, a union-backed group in New York City that seeks to improve conditions at "maquila" plants in Central America, brought Judith Viera and Claudia Molina (from Honduras), to various U.S. cities to share their stories. The Committee pointed out that the conditions at Mandarin and other plants violate the Gap's own "code of conduct" for the factories it buys from.

This code sounds impressive, requiring, for example, that employers "must never force employees to work extra hours" and "may neither threaten nor penalize employees for their efforts to organize or bargain collectively." But the code of conduct is largely a public relations exercise, as the maquila owners violate it with impunity.

Responding to publicity from Viera and Molina's tour, the Gap issued a statement asserting that "we conduct thorough investigations of all new and potential vendors, and we strive hard to ensure that all business partners meet our sourcing guidelines — which set strict standards for working conditions and human rights." But the Gap claims not to have found any violations of its guidelines at Mandarin.

Charles Kernaghan, director of the Labor Committee, visited El Salvador's free trade zone in September. "We reached fifty of the workers who were fired, and interviewed them in groups. They confirmed



# FORUM

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what Judith Viera said," reports Kernaghan. Meanwhile, the maquila owners are trying to ensure that no other such stories reach the outside world. "There are armed guards everywhere, with sawed-off shotguns," Kernaghan says. And the women employees have been warned not to talk with any *gringos* who come around asking questions, or they will lose their jobs.

Viera and Molina can speak best for themselves. Last July 14 they were interviewed in Boston by Karen Kampworth of the Committee in Solidarity with the People of El Salvador (CISPES). Below we provide excerpts from that interview, which was translated by Holly Grant, also of CISPES.

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## SURVIVING THE MAQUILAS

Judith Viera (JV) and Claudia Molina (CM)

JV: I am eighteen years old and am from El Salvador. In San Salvador my family lives in San Miguel. I have no father and my mother couldn't manage with all of us, so I only studied up until fifth grade. I worked one year in the maquila, where I learned a lot but suffered a lot of mistreatment.

CM: I am seventeen years old and from Honduras. I worked in the maquila. My family is from Comayagua and Copan. I also only studied up to fifth grade. I also don't have a father and my mother couldn't handle schooling and the food and all.

JV: We decided to work in the maquilas because it seemed like a nice job. Also we are minors, and I was only seventeen years old and only in a place like that was I able to work because I was underaged. In the maquilas there are girls who are fourteen, fifteen, and sixteen years old and only in a maquila can a fourteen-year old get a job.

CM: I decided to work in a maquila because my mother earned very little money, and it wasn't enough for the food. I thought the job would be nice and easy, but it wasn't. I was only fifteen years old when I began working in the maquila.

JV: I worked as "Secretary of the Line." I was in charge of everything that came in and left the factory line, all

the completed shirts. I was in charge of controlling all the permissions, etc. of the people who worked in my line. I was in total charge of production of the line.

CM: When I started I was a cutter and then I started working at the machines closing shirts. Then I worked making buttonholes and then cuffs. And then as punishment they moved me to packaging and made me work standing up. I did not like this work. But even though I didn't like the work, I had to do it because I needed the salary.

*How many hours a day do you work?*

CM: I work thirteen hours a day and on Saturdays it is twenty-three hours of work.

JV: My work schedule Monday to Thursday was from 7 am to 9 pm. On Fridays it was from 7 am to 5 pm, and then 7 pm to 3 am, and we stayed in the factory and slept on the floor to begin work again on Saturday from 7 am to 5 pm. For all that work the most I earned was 750 colones for two weeks, which is \$43 a week.

*Does the \$43 per week cover your costs?*

JV: No. With that all you can buy is a little food and bus fare. I take two buses — one from my house to downtown, and then another one to the free trade zone. Our budget is a lot bigger than what we earn, than what our salaries are.

JV: We brought some shirts that we make — from the Gap, and we also work with Eddie Bauer and other brands.

CM: This is the shirt that we make for Orion, Gitano, Manhattan and other brands, but the brand that we work with the most is Manhattan.

*Who had the idea of forming a union?*

JV: The idea came from a woman who worked in quality control because there was a lot of mistreatment... when there was a meeting in the morning to announce that a union had been formed, at lunchtime the company closed its doors and wouldn't open them for us. That is when the work stoppage began so that they would accept the union. We are paid very little; they yell at us; they hit us with the shirts; we get a ticket to go to the bathroom — we only get two tickets a day and can only go for five minutes; they put us out in the sun and make us sweep

all day under the sun. There are other punishments as well. They do not give us purified water but contaminated water to drink. So we decided to form a union and there was lots of support. We were able to get the company to open again on Monday, but they have continued to mistreat us since that day, firing people, many threats.

CM: In the maquila where I worked, there was also lots of mistreatment. They also didn't give us permission. One compañera on March 20 had to miscarry in the factory because they didn't give her permission to go to the doctor. She had asked for permission beginning at 9 am until 4 pm, when they [finally] gave her permission, but it was too late.

*Were you afraid to join the union?*

JV: No, because there are so many mistreatments that occur in the factory. I wasn't able to support many of the work stoppages because I was Secretary... Many times I was in meetings at which they said they were going to close the factory for two months so they could get rid of the union. They have fired many pregnant women and minors. They have fired more than 350 people solely for the reason that they were members of the union. I was fired together with my two sisters because we were members of the union.

*Why did you come on tour?*

JV: It is important to be here on tour representing all the working Salvadoran women in the factory, so many people. I know this tour is important and that they will accept the union, and that all the women will get their jobs back. Our idea is that the people in the United States help us and support our campaign. I don't completely know how they can help us, but I know they can and they will.

JV: In the factory there is also sexual abuse. There is an ex-colonel that is director of personnel. Many times he asked me out, he followed me in his car. He told me that if I went out with him I wouldn't be fired. Also, this man hired men who were ex-combatants in the army; these men are only there to control our union. If you try to present them something or if they fire someone and you don't like it, these men will beat or hit you. Last week, there was a work stoppage at the factory because they had fired several pregnant women and union leaders. The National Civilian Police showed up to forcibly move them by hitting them and they forced us to stop the strike. They also captured our secretary general of the union; and they hit them and threatened them. The situ-

ation now is that the factory does not want to re-instate the pregnant women and the union leaders. There are many people who've been fired. The union leadership continues to fight about this, and the factory continues to threaten to close. ■

## GUATEMALAN WORKERS

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makes possible flagrant labor violations by employers. And although violent repression by the government has greatly decreased since the 1980s, workers still risk their lives by forming unions. Yet women in maquilas persist in their organizing efforts.

Cortex, a maquila in Guatemala City, assembled clothing for Esprit, Bloomingdales, Eddie Bauer, Haggar, and other U.S.-based companies. Workers organized a union two years ago to protest speed-ups, physical abuse, and forced overtime. But Adela Augustin, general secretary of the Cortex union, says that after she posted a sign announcing a union meeting last March, she overheard a manager say "you've either got to hit her or kill her." Augustin was suspended from her job for eight days, then viciously assaulted as she got off a bus while returning home. "They want us to give up the struggle, to not have a union," she said matter-of-factly. The Cortex maquila has subsequently closed.

The RCA maquila (no relation to the U.S. corporation), whose union leader Yovany Gomez was murdered, produced clothes under contract to Liz Claiborne and other North American companies. The owners used threats and bribes to stop a union drive prompted by low pay, unsanitary working conditions, and physical abuse. After a year of battling the union, the owners simply closed the plant in August, 1994. Because maquilas generally represent a low level of capital investment, it is commonplace for owners to shut down, declare bankruptcy, and relocate rather than deal with determined workers. Lacking labor laws or a justice system to protect their rights, workers have no recourse other than capitulation or direct action.

Following the shut-down, 78 workers took over the RCA plant to prevent removal of the machinery. A month and four days later, the workers were forcibly evicted in the middle of the night. The union believes the factory has reopened in another part of Guatemala City. Having lost their jobs, the RCA workers continued to demand back pay.

Sylvia Escobar, the union's general secretary, has seen suspicious cars in her neighborhood, has had knocks at her door in the middle of the night, and has had warnings spray painted on her house. Escobar lives in fear for the

safety of her grandchildren, but she is undeterred. "The [owners] thought that once they killed our companion we'd stop struggling, but thanks to God we will not stop," she told a delegation from Peace Brigades International.

Flor de Maria Salguero, a union organizer with the FES-TRAS labor federation, said Guatemalan labor activists support the right of Guatemalans, including children, to have jobs in maquilas as long as they are treated respectfully and labor laws are obeyed. Flor de Maria helps maquila workers understand their rights under Guatemala's labor code by leafleting outside plant gates during lunch breaks and shift changes. After receiving threats since March, presumably because of her support for maquila workers who had been sexually harassed, on May 17 she was kidnapped, drugged, beaten and raped. The fact that her money and jewelry were not stolen provides strong evidence that the assault was politically motivated. Salguero has since received further phone threats.

#### SOLIDARITY FROM UP NORTH

While most of the maquilas are Guatemalan or Korean-owned, the industry has close links with the United States, where most of the products are sold. Moreover, Guatemala benefits from tariff concessions under the Generalized System of Preferences (GSP) and the Caribbean Basin Initiative (CBI), although the GSP and CBI benefits do not apply to the apparel sector itself. This gives the U.S. government some power to push for labor rights in all sectors of the Guatemalan economy. Using this handle, U.S. activists have worked in solidarity with women organizing in Guatemalan maquilas.

In recent years, US/GLEP has organized campaigns to force the Guatemalan government to recognize the union at a maquila owned by Phillips Van Heusen. The Chicago-based group also supported a campaign that successfully pressured the South Korean government to get owners of the RCA maquila to give back pay to their laid-off employees.

Together with unions and human rights groups, US/GLEP has used U.S. laws governing international trade to pressure Guatemalan employers and the Guatemalan government. Provisions of the GSP, a program that provides reduced tariffs for developing nations exporting to the United States, require participating countries to respect labor rights, including the right to organize unions. US/GLEP has led campaigns that have persuaded the U.S. Trade Representative (USTR) to keep Guatemala's access to GSP benefits under review since 1992. This review was a key factor in forcing the Guatemalan government to raise the minimum wage and improve the labor code (at least on paper). But mere review has not stopped abuses against unions.

In an April 10 letter to USTR Mickey Kantor, US/GLEP said "violence against workers exercising their basic rights has continued unabated since November and has actually increased significantly in the maquila sector." Instead of just continuing the review status, US/GLEP has proposed suspending duty free imports of Guatemalan sugar and beef, followed by kicking Guatemala out of the GSP entirely if there is no progress in charging and prosecuting those responsible for the killing of Yovany Gomez, the assault against Adela Augustin, and other recent violations. Although Guatemala's privileges have not been suspended, Kantor extended his review of them until November 1, 1995.

US/GLEP's alliance with Guatemalan unions is a good example of what Jeremy Brecher and Tim Costello call the "Lilliput Strategy." In their recent book, *Global Village or Global Pillage*, Costello and Brecher suggest that just as the Lilliputians immobilized the giant Gulliver with hundreds of tiny threads, labor rights advocates in different countries can employ a variety of tactics to stymie global corporations.

The growing numbers of women in the maquila sector is a sign of profound changes in Guatemalan society. The repression and dislocation that have led to these changes have caused tremendous suffering. Yet the leadership shown by many Guatemalan women labor activists demonstrates that these women are not as docile and exploitable as their employers had hoped.

The need continues for support by U.S. activists. The U.S. Congress will soon act on the Caribbean Basin Trade Security Act, a proposal to extend NAFTA-like trade concessions to Central American and Caribbean maquila sectors. The bill's worker rights protections are woefully inadequate, and US/GLEP is pushing to strengthen them. Such efforts will assist the ongoing struggle of the women working in Guatemala's maquiladoras. ■

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Peace Brigades International, by providing accompaniment in areas of conflict, creates "breathing space" for groups working nonviolently for social justice in Guatemala, Sri Lanka, Colombia, Haiti, and Native Communities in North America. 2642 College Ave., Berkeley CA 94704, (510) 540-0749, e-mail: pbiusa@igc.apc.org.

Resources: *Global Village or Global Pillage: Economic Reconstruction from the Bottom Up*, Jeremy Brecher and Tim Costello, South End Press, 1994; *The Maquiladora Revolution in Guatemala*, Kurt Petersen, New Haven: Orville Schell Center for International Human Rights at Yale Law School, 1992.

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# NAFTA THOUGHTS

## EVALUATING LABOR'S FAIR TRADE STRATEGY

BY BRIAN BURGOON

By all accounts, the passage of the North American Free Trade Agreement in the fall of 1993 was a major defeat for organized labor in the United States. From the left and the right of the political spectrum, commentators have uniformly described its passage as marking the demise of organized labor's power and relevance, capping a thirty-year decline in membership, workplace gains, and legislative influence.

For those on the free-market right, this was a victory over labor as a loud, protectionist "special interest," indicating that economic globalization will proceed unfettered by labor's meddlesome demands. For those on the left, NAFTA's passage was a major defeat of labor's most aggressive attempt ever to influence trade policy. The loss has had a demoralizing effect among labor supporters, prompting many to conclude that they either ought to rethink their strategy or give up on trade policy altogether.

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Neither of these views does justice to the accomplishments and promise of labor's recent strategy to humanize global trade. Crafted in response to frustrations with its past trade policymaking efforts, this strategy has been to promote a clear and focused concept of "fair trade."

Instead of embracing unlimited free trade or rejecting the growth of trade on principle, labor has articulated a vision of a global economy in which trade policy raises the conditions of workers across nations to a humane level. This goal of "upward levelling" is an in-

novative strategic response to free trade, which gives corporations *carte blanche* to abandon areas where the cost of labor is relatively high for those where it's cheaper. Under fair trade, the United States would allow foreign companies access to its markets only on the condition that they not try to beat out their competitors by exploiting lax labor and environmental regulations, or by infringing on workers' rights to bargain collectively, in the U.S. or abroad.

The fair trade strategy has achieved meaningful successes, which have largely been overshadowed by NAFTA's significant disappointments. These achievements indicate that, rather than advocate absolute trade barriers or disengage from trade policymaking in despair, labor should pursue its fair trade strategy. As NAFTA and the WTO (the World Trade Organization, formerly GATT) are implemented and refined, progressive forces need to identify strong points and build on them. In short, the glass of economic justice in trade policy may not even be half full, but it's not empty, and labor's new trade strategy has the best chance of filling it.

### FROM FREE TRADE TO FAIR TRADE

Labor's fair trade strategy is the product of forty years of difficult experience. Throughout most of this period, industry unions commonly cast their lot with their employers, adopting strategies reflecting their position in the international economy. Unions in internationally-competitive industries supported free trade, while those in industries facing competition from imports backed protectionism (that is, they supported restrictions on foreign firms selling products in the United States).

Despite this fragmentation, there was a general trend toward union protectionism between 1945 and the 1980s. Right after World War II, most unions embraced free trade, since the country's industrial preeminence left them feeling invulnerable to foreign competition. As this preeminence faded from the 1950s to the 1970s, union support for free trade grew less absolute. Unions demanded that the government provide dislocated workers with income supplements, as well as training and relocation assistance. Then, as limited assistance programs began to frustrate unions, and as the nation's industrial decline continued, a more protectionist perspective took hold. Labor began to support industry-specific tariffs, quotas, domestic content regulations, and other trade barriers. Throughout this evolution, union trade policy activity was confined to elite lobbying and campaign contributions.

The recent protectionism did little to improve the lives of working people and fueled accusations that labor was a backward-looking special interest. Employers and their unions used protectionist policies to raise prices and prop up wages, rather than to invest in better products and production processes. At the same time, employers were taking advantage of their growing ability to move manufacturing operations to low wage, lax regulation countries.

These developments meant that even the workers in protected industries lost their jobs and faced cutbacks in wages and benefits. In addition, protectionist policies made it easy to cast the entire labor movement as a "rent-seeking" special interest unconcerned with consumers and unprotected workers in the United States, and all citizens of other countries. And the high-level lobbying and campaign contributions, disconnected from the unions' rank-and-file, made unions look elitist and undemocratic.

In the mid-1980s, unions departed from these trade strategies by proposing to humanize rather than to prevent trade. Some U.S. labor leaders began to believe that expanding access to foreign markets could create jobs at home, and globalization was already weakening unions as firms used the threat of exit as a bargaining tool. Labor leaders saw that, to work in their favor, access to U.S. markets could be granted on the condition that trading partners protect minimal labor and environmental standards, and basic human and labor rights, in their own countries. Since access to the immense U.S. market is so coveted, unions perceived that it would be a strong lever to induce other nations to protect labor rights.

Unions invoked several International Labor Organization (ILO) charters, including those mandating decent working conditions, banning child and forced labor, and protecting the rights of association and collective bargaining. So, this fair trade policy would expand job-creating

exports and access to cheaper and better imports, while at the same time ensuring that companies and investors would not abandon the United States in favor of countries with low wages and poor conditions.

Although unions had called attention to global labor standards in the past, international unions like the Amalgamated Clothing and Textile Workers Union (ACTWU), the United Electrical Workers (UE), and the United Auto Workers (UAW) were the first to call for explicit links between these standards and trade access. They won labor rights amendments to the General System of Preferences, linking labor rights to preferential trade access for developing countries, and to the 1988 Trade Act.

It was only during the battle over NAFTA, however, that labor's fair trade strategy fully bloomed. When the Bush Administration initially negotiated the NAFTA agreement, seeking unprecedented

safeguards for property rights of U.S. corporations and major cuts in trade barriers between the United States, Canada, and Mexico, U.S. labor was unified for the first time in pushing for fair trade. The AFL-CIO, Teamsters, ACTWU, UE, and other unions sought comparable safeguards for basic working conditions and labor rights in all three countries, and for the upward leveling of environmental regulations — under the explicit mantle of "fair trade."

They publicized the poor quality of working conditions in the *maquiladora* region along the Mexican-U.S. border, and they documented violations of Mexican labor's right to associate and bargain collectively. They pressured Bush to renegotiate NAFTA, and when Clinton took over the same labor groups pushed for strong side-agreements protecting labor rights.

This time, in addition to lobbying and financial contributions, unions promoted their trade agenda by working extensively with other groups and through massive grassroots mobilization. Far more than in any previous campaign, union strategists intimately collaborated with U.S., Canadian, Mexican, and international groups with overlapping interests in more humane trade. These included environmental groups such as the Sierra Club and Greenpeace, religious organizations such as the Methodist Church, citizen action groups such as Public Citizen, and human rights organizations such as Amnesty International. This cooperation was institutionalized in organizations

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such as the Fair Trade Campaign and the Citizen's Trade Watch Campaign. In addition, U.S. unions set up coalitions with labor unions in Canada and (more tentatively) Mexico, to pressure all NAFTA signatories. Unions mobilized their rank and file and the public as never before through extensive organizing drives, teach-ins, and leafletting in communities across the United States and abroad.

#### FAIR TRADE'S DISAPPOINTMENTS

One thing that came of all this innovation in labor's trade policy strategy is well known: major defeat. Arrayed against unions and their allies were powerful corporations in the United States and Mexico, and these interests were concerned that strong protection for labor rights would undermine low-wage, lax regulation "flexibility" in Mexico and in the United States. The Mexican government was actively hostile to fair trade, while the U.S. President was only tepidly supportive of it. So Clinton negotiated, and the U.S. Congress passed, a NAFTA package with environmental and labor side-agreements that provided little protection for the environment or labor rights and conditions.

The labor side-agreement was even weaker than its environmental counterpart. The institution set up to implement the labor agreement, the National Administration Office (NAO) of the Commission of Labor Cooperation, was to be staffed by only 15 people, while the size of the Environmental Commission's monitoring office was unlimited. The NAO can research cases of lax government enforcement only after receiving permission from two of the three countries' labor ministers, whereas environmental cases *must* be investigated unless two environmental ministers object. More importantly, the NAO can only impose fines and trade sanctions in cases involving worker safety, child labor, and minimum wages. For other labor issues, such as Mexico's infringing on the rights of workers to form labor unions and to bargain collectively, the NAO can only mandate discussion by labor ministers.

To add insult to injury, the implementation of the labor side-agreement has also been a disappointment. Of several major allegations made by labor and human rights groups monitoring standards in Mexico, all but one have been ignored by NAO. For instance, the UE (United Electrical Workers) and the Teamsters petitioned the NAO to address the firing of 11 Mexican workers in one G.E. plant and 21 in a Honeywell plant after workers tried to form independent unions. The NAO did nothing.

#### UNIONS WITHOUT BORDERS

There has been a lot of talk about cross-border solidarity among unions recently—and also, despite formidable obstacles, a fair amount of action.

Attempts to organize unions in Mexican workplaces are often greeted with threats of violence and mass firings. Since enforcement of labor law is so lax, there is frequently little to deter management from squelching organizing drives other than pressure from U.S. public opinion. That is where U.S. unions can come into play.

When the U.S.-owned Kirkwood Industries fired 100 workers who supported a unionization drive this past spring, the Teamsters publicized the company's actions, pressuring members of Congress to condemn them. At the Mexican government-supervised union representation election on July 21, the workers had to deliver their vote verbally in front of Kirkwood management representatives. Still, the union lost by just 8 votes. The Teamsters also confronted the Honeywell company for suppressing union organizing, invoking the labor side-agreement of NAFTA.

Mexican unions need both publicity and financial support from their U.S. counterparts, according to Benedicto Martinez, Chief Coordinator of Mexico's embattled FAT (Authentic Labor Front), the country's only independent union federation. Speaking in Boston on a June 1995 tour of the United States sponsored by the United Electrical Workers, Martinez said, "There have been continual accusations by businessmen and the government that such relations betray our country. Nevertheless, we consider ourselves international trade unionists. We believe that just as businesses have [an international relationship] with this NAFTA treaty, workers as well must seek this same kind of relationship." Looking to the future, Martinez envisions "international organizations of workers based on industry, just as companies are organized internationally."

— Betsy Reed

Research/Translation: Jonathan Schlefer

The lone exception to the NAO's general negligence occurred when Mexico rejected an independent union's attempt to officially register its organization of workers in Sony Corporation's Nuevo Laredo plants along the Texas border. In response to a petition by labor and human-rights groups to investigate, in April of this year the NAO ruled that Labor Secretary Robert Reich should meet with his Mexican counterpart to discuss the incident. This type of ruling is the strongest action NAO can take on issues concerning rights of association. As NAO Secretary Irasema Garza pointed out, however, "the agreement does not specify exactly what constitutes ministerial consultations... [And] there is also no time limit for resolving the issue."

With such weak provisions for labor, the aftermath of NAFTA's passage is shaping up to be as bad as labor's most pessimistic forecast. We don't know exactly how many factory closings are directly attributable to NAFTA, but we know that plenty have been facilitated by its passage. We also know that companies are continually threatening workers with their exit-options in order to bargain-down wage and benefits. And we know that the massive expansion in U.S. exports to Mexico promised during the NAFTA debate has failed to materialize, partly because of the crash of the peso (see "NAFTA Shock," James M. Cypher, *D&S* March/April 1995).

In trade policymaking since NAFTA, fair trade principles have not done any better. The passage of the Uruguay Round of GATT negotiations in 1994 set up a supra-national World Trade Organization (WTO) to oversee future reductions in trade barriers. Although the Clinton Administration proposed the creation of an institution under GATT that would monitor and enforce minimum labor conditions and rights, a number of Third World governments and U.S. businesses strongly objected — and Clinton capitulated. So the current GATT-WTO framework does not contain protection for fair trade principles.

This string of disappointments has caused some labor supporters to rethink the logic of fair trade, in some cases assuming a protectionist stance once again. The UAW, for instance, recently gave its qualified support to trade sanctions against the import of Japanese luxury automobiles, on the grounds that Japanese institutions discriminate against U.S. products.

An even stronger temptation is to give up on trade policy. Demoralized labor supporters may conclude that with the chance of injecting fair trade principles into future NAFTA and GATT revisions so remote, the resources of the labor movement so scarce, it ought to focus its attention on other activities, including cross-border organizing, organizing new industries, and rethinking relationships with employers and communities.

#### THE GLASS ISN'T EMPTY

But before concluding that organized labor ought to revert to the protectionism of old or throw in the towel on trade policy, consider a few "fair trade" successes.

First, labor pressure was responsible for the creation of the labor side-agreement under NAFTA. Although the NAO lacks the power and focus of the institutions protecting property rights or the environment, it already plays a monitoring role and can pressure industries and countries to respect minimum labor conditions and rights. The institution is a concrete foothold that can be leveraged into more powerful and extensive protection in the future. Although GATT-WTO does not contain such a foothold for labor, unions successfully pressured Clinton into at least proposing a link between market access and labor and environmental conditions in those negotiations.

Moreover, labor's fight for fair trade has educated millions of Americans about the perils of unregulated international trade and globalization. Protectionism earns little respect from the American public, sparking suspicions that the proponents simply want to increase their own piece of the pie at the expense of unprotected Americans and less developed countries. Polls consistently show that the public prefers an open to a closed economy. Fair trade offers an appealing vision of an international economy with expanded trade as well as protection for human, labor and environmental conditions, and especially, labor rights. Such a focus on rights is particularly compelling in a country whose political traditions are so intimately tied to the celebration of individual freedoms.

It's clear from the shift in public sympathies during the NAFTA debate that the fair trade approach garnered popular support. In March 1991, 72% of Americans believed that NAFTA's impact on the United States would be "mostly good," while only 15% believed it would be "mostly bad." By September 1993, after the side-agreements were announced, political economist Ian Robinson points out, "only 35% of American respondents supported the NAFTA package, while 41% opposed it...[and] those who were strongly opposed (21%) were three times more

#### LABOR'S FIGHT FOR FAIR TRADE HAS EDUCATED MILLIONS OF AMERICANS ABOUT THE PERILS OF UNREGULATED GLOBALIZATION.

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Sweeney's opponents have zeroed in on his dual salary. For years, he has derived substantial income as an "executive advisor" to his home local in New York City—in addition to his salary as president of the national union. Each year from 1989 to 1993, Sweeney collected payment ranging from \$67,000 to \$91,000 from the local. In 1994, after criticism surfaced, his fee plunged to \$10,000. SEIU dissidents have also criticized Sweeney for his role as head of the AFL-CIO's health care committee. The SEIU president was instrumental in turning the tide against the many labor proponents of single-payer health care.

Moreover, Sweeney is not likely to put a stop to the trend that has virtually taken over U.S. unions in the past decade—"labor-management cooperation." ("Cooperation" can sometimes involve giving unions more control over decisions that had been considered management prerogatives. But critics contend that more often, cooperation plans have the effect of undermining union power by allowing company-dominated joint labor-management committees to take the place of unions at the workplace.) Like most U.S. union leaders, Sweeney has been a cooperation proponent.

Trumka, by contrast, has taken a strong position in favor of worker empowerment on the issue of cooperation. Last year, he headed a committee of the AFL-CIO's Industrial Union Department that explored the issue of "workplace rights," with an eye to influencing the Clinton administration's labor policy. The committee's report argued for "achieving social justice through workplace democracy" and laid out a long list of reforms needed to empower workers.

Meanwhile, Donahue, as head of the AFL-CIO Committee on the Evolution of Work, released a report that presented worker-management "partnership" as labor's central mission. And the theme continues to arise in his current campaign.

Neither Donahue nor Sweeney is a rebel when it comes to making a break with the Democratic Party. Rather than calling for a rethinking of labor's slavish relationship to the Democratic Party, the Sweeney slate's platform focuses only on buffing up the federation's political machinery. It calls for creating a center for training political campaign organizers and another center for studying policy. But Sweeney and company are perhaps more critical of Bill Clinton than is Donahue, who in a recent press conference declared the President to be workers' "best hope" on economic issues.

While labor's most fiery leaders may not be at the top of the ballot, many union activists are nevertheless feeling pretty frisky about the contest so far. After decades of glum resignation about the AFL-CIO hierarchy and its crusty old leaders, change is at least a possibility. Even the process

of dusting off the AFL-CIO constitution to find out how contested elections actually work holds a thrill.

Donahue seems to believe that open contention among labor's top leaders is dangerous. He has warned that unless the two slates come together under his leadership, the federation may split into two again. Kirkland is also deeply upset at the current show of disunity. He confessed in June that he had actually planned to retire until his opposition went to the press with their complaints instead of directly to him. After his opponents' "anonymous poisoning of the well" and a "campaign of mendacity and falsehoods," Kirkland said he opted to run after all. "I deeply resent the rise of this militia," said Kirkland, apparently referring to his old friends on the Executive Council.

Kim Moody, a staff member at *Labor Notes*, feels differently. In fact, he says, "the main value of this whole thing is that it's demonstrating to people that you can crack these monoliths. It's probably all to the good, even if Sweeney doesn't turn out to be all that different."

OLAW's Bob Wages looks ahead and sees a long fight to get the federation to take a stronger stand. "I think it's clear we can do something on progressive social issues," he says. "We need to recommit ourselves to national health care, to a national industrial policy. We need to recommit ourselves to a political process in which we define our own issues and bring people along with us rather than accept the never-ending proposition of the lesser of two evils. My idea is, if you get an agenda moving, and it is endorsed and embodied in what you do at the AFL-CIO convention, then you have a basis upon which to claim there's a change." ■

## FAIR TRADE

*continued from page 13*

numerous than those who were strongly in favor (7%).<sup>2</sup> Even in the face of extensive pro-NAFTA propaganda, labor's fair trade strategy apparently caused the public to grow more doubtful about the agreement.

In addition, the labor movement's success in engaging the rank and file in the struggle for fair trade has shaken labor's image as an elite-focused, sclerotic bureaucracy. Since labor's influence in American politics requires public sympathy and respect, this change in reputation matters.

Inside the labor movement, this grassroots, coalition-based mode of organizing around fair trade has hastened major reform. The alliances formed with environmental, human rights, citizen action and religious groups have lasted, benefitting labor in arenas other than trade policy. These coalitions have set precedents for a general strategy of collaborating with other interest groups as a way of achieving legislative and political goals, rather than going it



## 21 PARTNERSHIP FOR PEACE (1994) Clinton.

21. We, the Heads of State and Government of the member countries of the North Atlantic Alliance, have gathered in Brussels to renew our Alliance in light of the historic transformations affecting the entire continent of Europe. We welcome the new climate of cooperation that has emerged in Europe with the end of the period of global confrontation embodied in the Cold War. However, we must also note that other causes of instability, tension and conflict have emerged. We therefore confirm the enduring validity and indispensability of our Alliance. It is based on a strong transatlantic link, the expression of a shared destiny. It reflects a European Security and Defence Identity gradually emerging as the expression of a mature Europe. It is reaching out to establish new patterns of cooperation throughout Europe. It rests, as also reflected in Article 2 of the Washington Treaty, upon close collaboration in all fields.

Building on our decisions in London and Rome and on our new Strategic Concept, we are undertaking initiatives designed to contribute to lasting peace, stability, and well-being in the whole of Europe, which has always been our Alliance's fundamental goal. We have agreed:

- to adapt further the Alliance's political and military structures to reflect both the full spectrum of its roles and the development of the emerging European Security and Defence Identity, and endorse the concept of Combined Joint Task Forces;
- to reaffirm that the Alliance remains open to the membership of other European countries;
- to launch a major initiative through a Partnership for Peace, in which we invite Partners to join us in new political and military efforts to work alongside the Alliance;
- to intensify our efforts against the proliferation of weapons of mass destruction and their means of delivery.

2. We reaffirm our strong commitment to the transatlantic link, which is the bedrock of NATO. The continued substantial presence of United States forces in Europe is a fundamentally important aspect of that link. All our countries wish to continue the direct involvement of the United States and Canada in the security of Europe. We note that this is also the expressed wish of the new democracies of the East, which see in the transatlantic link an irreplaceable pledge of security and stability for Europe as a whole. The fuller integration of the countries of Central and Eastern Europe and of the former Soviet Union into a Europe whole and free cannot be successful without the strong and active participation of all Allies on both sides of the Atlantic.

3. Today, we confirm and renew this link between North America and a Europe developing a Common Foreign and Security Policy and taking on greater responsibility on defence matters. We welcome the entry into force of the Treaty of Maastricht and the launching of the European Union, which will strengthen the European pillar of the Alliance and allow it to make a more coherent contribution to the security of all the Allies. We reaffirm that the Alliance is the essential forum for consultation among its members and the venue for agreement on policies bearing on the security and defence commitments of Allies under the Washington Treaty.

4. We give our full support to the development of a European Security and Defence Identity which, as called for in the Maastricht Treaty, in the longer term perspective of a common defence policy within the European Union, might in time lead to a common defence compatible with that of the Atlantic Alliance. The emergence of a European Security and Defence Identity will strengthen the European pillar of the Alliance while reinforcing the transatlantic link and will enable European Allies to take greater responsibility for their common security and defence. The Alliance and the European Union share common strategic interests.

5. We support strengthening the European pillar of the Alliance through the Western European Union, which is being developed as the defence component of the European Union. The Alliance's organization and resources will be adjusted so as to facilitate this. We welcome the close and growing cooperation between NATO and the WEU that has been achieved on the basis of agreed principles of complementarity and transparency. In future contingencies, NATO and the WEU will consult, including as necessary through joint Council meetings, on how to address such contingencies.

6. We therefore stand ready to make collective assets of the Alliance available, on the basis of consultations in the North Atlantic Council, for WEU operations undertaken by the European Allies in pursuit of their Common Foreign and Security Policy. We support the development of separable but not separate capabilities which could respond to European requirements and contribute to Alliance security. Better European coordination and planning will also strengthen the European pillar and the Alliance itself. Integrated and multinational European structures, as they are further developed in the context of an emerging European Security and Defence Identity, will also increasingly have a similarly important role to play in enhancing the Allies' ability to work together in the common defence and other tasks.

7. In pursuit of our common transatlantic security requirements, NATO increasingly will be called upon to undertake missions in addition to the traditional and fundamental task of collective defence of its members, which remains a core function. We reaffirm our offer to support, on a case by case basis in accordance with our own procedures, peacekeeping and other operations under the authority of the UN Security Council or the responsibility of the CSCE [Conference for Security and Cooperation in Europe], including by making available Alliance resources and expertise. Participation in any such operation or mission will remain subject to decisions of member states in accordance with national constitutions.

8. Against this background, NATO must continue the adaptation of its command and force structure in line with requirements for flexible and timely responses contained in the Alliance's Strategic Concept. We also will need to strengthen the European pillar of the Alliance by facilitating the use of our military capabilities for NATO and European/WEU operations, and assist participation of non-NATO partners in joint peacekeeping operations and other contingencies as envisaged under the Partnership for Peace.

9. Therefore, we direct the North Atlantic Council in Permanent Session, with the advice of the NATO Military Authorities, to examine how the Alliance's political and military structures and procedures might be developed and adapted to conduct more efficiently and flexibly the Alliance's missions, including peacekeeping, as well as to improve cooperation with the WEU and to reflect the emerging European Security and Defence Identity. As part of this process, we endorse the concept of Combined Joint Task Forces as a means to facilitate contingency operations, including operations with participating nations outside the Alliance. We have directed the North Atlantic Council, with the advice of the NATO Military Authorities, to develop this concept and establish the necessary capabilities. The Council, with the advice of the NATO Military Authorities, and in coordination with the WEU, will work on implementation in a manner that provides separable but not separate military capabilities that could be employed by NATO or the WEU. The North Atlantic Council in Permanent Session will report on the implementation of these decisions to Ministers at their next regular meeting in June 1994.

10. Our own security is inseparably linked to that of all other states in Europe. The consolidation and preservation throughout the continent of democratic societies and their freedom from any form of coercion or intimidation are therefore of direct and material concern to us, as they are all other CSCE states under the commitments of the Helsinki Final Act and the Charter of Paris. We remain deeply committed to further strengthening the CSCE, which is the only organization comprising all European and North American countries, as an instrument of preventive diplomacy, conflict prevention, cooperative security, and the advancement of democracy and human rights. We actively support the efforts to enhance the operational capabilities of the CSCE for early warning, conflict prevention, and crisis management.

11. As part of our overall effort to promote preventive diplomacy, we welcome the European Union proposal for a Pact on Stability in Europe, will contribute to its elaboration, and look forward to the opening conference which will take place in Paris in the Spring.

12. Building on the close and long-standing partnership among the North American and European Allies, we are committed to enhancing security and stability in the whole of Europe. We therefore wish to strengthen ties with the democratic states to our East. We reaffirm that the Alliance, as provided for in Article 10 of the Washington Treaty, remains open to membership of other European states in a position to further the principles of the Treaty and to contribute to the security of the North Atlantic area. We expect and would welcome NATO expansion that would reach to democratic states to our East, as part of an evolutionary process, taking into account political and security developments in the whole of Europe.

13. We have decided to launch an immediate and practical programme that will transform the relationship between NATO and participating states. This new programme goes beyond dialogue and cooperation to forge a real partnership — a Partnership for Peace. We invite the other states participating in the North Atlantic Cooperation Council, and other CSCE countries able and willing to contribute to this programme, to join with us in this Partnership. Active participation in the Partnership for Peace will play an important role in the evolutionary process of the expansion of NATO.

14. The Partnership for Peace, which will operate under the authority of the North Atlantic Council, will forge new security relationships between the North Atlantic Alliance and its Partners for Peace. Partner states will be invited by the North Atlantic Council to participate in political and military bodies at NATO Headquarters with respect to Partnership activities. The Partnership will expand and intensify political and military cooperation throughout Europe, increase stability, diminish threats to peace, and build strengthened relationships by promoting the spirit of practical cooperation and commitment to democratic principles that underpin our Alliance. NATO will consult with any active participant in the Partnership if that partner perceives a direct threat to its territorial integrity, political independence, or security. At a pace and scope determined by the capacity and desire of the individual participating states, we will work in concrete ways towards transparency in defence budgeting, promoting democratic control of defence ministries, joint planning, joint military exercises, and creating an ability to operate with NATO forces in such fields as peacekeeping, search and rescue and humanitarian operations, and others as may be agreed.

15. To promote closer military cooperation and interoperability, we will propose, within the Partnership framework, peacekeeping field exercises beginning in 1994. To coordinate joint military activities within the Partnership, we will invite states participating in the Partnership to send permanent liaison officers to NATO Headquarters and a separate Partnership Coordination Cell at Mons (Belgium) that would, under the authority of the North

Atlantic Council, carry out the military planning necessary to implement the Partnership programmes.

16. Since its inception two years ago, the North Atlantic Cooperation Council has greatly expanded the depth and scope of its activities. We will continue to work with all our NACC partners to build cooperative relationships across the entire spectrum of the Alliance's activities. With the expansion of NACC activities and the establishment of the Partnership for Peace, we have decided to offer permanent facilities at NATO Headquarters for personnel from NACC countries and other Partnership for Peace participants in order to improve our working relationships and facilitate closer cooperation.

17. Proliferation of weapons of mass destruction and their delivery means constitutes a threat to international security and is a matter of concern to NATO. We have decided to intensify and expand NATO's political and defence efforts against proliferation, taking into account the work already underway in other international fora and institutions. In this regard, we direct that work begin immediately in appropriate fora of the Alliance to develop an overall policy framework to consider how to reinforce ongoing prevention efforts and how to reduce the proliferation threat and protect against it.

18. We attach crucial importance to the full and timely implementation of existing arms control and disarmament agreements as well as to achieving further progress on key issues of arms control and disarmament, such as:

- the indefinite and unconditional extension of the Treaty on Non-Proliferation of Nuclear Weapons, and work towards an enhanced verification regime;
- the early entry into force of the Convention on Chemical Weapons and new measures to strengthen the Biological Weapons Convention;
- the negotiation of a universal and verifiable Comprehensive Test Ban Treaty;
- issues on the agenda of the CSCE Forum for Security Cooperation;
- ensuring the integrity of the CFE [Conventional Forces in Europe] Treaty and full compliance with all its provisions.

19. We condemn all acts of international terrorism. They constitute flagrant violations of human dignity and rights and are a threat to the conduct of normal international relations. In accordance with our national legislation, we stress the need for the most effective cooperation possible to prevent and suppress this scourge.

20. We reaffirm our support for political and economic reform in Russia and welcome the adoption of a new constitution and the holding of democratic parliamentary elections by the people of the Russian Federation. This is a major step forward in the establishment of a framework for the development of durable democratic institutions. We further welcome the Russian

implementation of the UNSC [United Nations Security Council] Resolutions regarding the reinforcement of UNPROFOR. We reaffirm our readiness, under the authority of the United Nations Security Council and in accordance with the Alliance decisions of 2 and 9 August 1993, to carry out air strikes in order to prevent the strangulation of Sarajevo, the safe areas and other threatened areas in Bosnia-Herzegovina. In this context, we urge the UNPROFOR authorities to draw up urgently plans to ensure that the blocked rotation of the UNPROFOR contingent in Srebrenica can take place and to examine how the airport at Tuzla can be opened for humanitarian relief purposes.

26. The past five years have brought historic opportunities as well as new uncertainties and instabilities to Europe. Our Alliance has moved to adapt itself to the new circumstances, and today we have taken decisions in key areas. We have given our full support to the development of a European Security and Defence Identity. We have endorsed the concept of Combined Joint Task Forces as a means to adapt the Alliance to its future tasks. We have opened a new perspective of progressively closer relationships with the countries of Central and Eastern Europe and of the former Soviet Union. In doing all this, we have renewed our Alliance as a joint endeavour of a North America and Europe permanently committed to their common and indivisible security. The challenges we face are many and serious. The decisions we have taken today will better enable us to meet them.

government's firm commitment to democratic and market reform and to a reformist foreign policy. These are important for security and stability in Europe. We believe that an independent, democratic, stable and nuclear-weapons-free Ukraine would likewise contribute to security and stability. We will continue to encourage and support the reform processes in both countries and to develop cooperation with them, as with other countries in Central and Eastern Europe.

21. The situation in Southern Caucasus continues to be of special concern. We condemn the use of force for territorial gains. Respect for the territorial integrity, independence and sovereignty of Armenia, Azerbaijan and Georgia is essential to the establishment of peace, stability and cooperation in the region. We call upon all states to join international efforts under the aegis of the United Nations and the CSCE aimed at solving existing problems.

22. We reiterate our conviction that security in Europe is greatly affected by security in the Mediterranean. We strongly welcome the agreements recently concluded in the Middle East peace process which offer an historic opportunity for a peaceful and lasting settlement in the area. This much-awaited breakthrough has had a positive impact on the overall situation in the Mediterranean, thus opening the way to consider measures to promote dialogue, understanding and confidence-building between the countries in the region. We direct the Council in Permanent Session to continue to review the overall situation, and we encourage all efforts conducive to strengthening regional stability.

23. As members of the Alliance, we deplore the continuing conflict in the former Yugoslavia. We continue to believe that the conflict in Bosnia must be settled at the negotiating table and not on the battlefield. Only the parties can bring peace to the former Yugoslavia. Only they can agree to lay down their arms and end the violence which for these many months has only served to demonstrate that no side can prevail in its pursuit of military victory.

24. We are united in supporting the efforts of the United Nations and the European Union to secure a negotiated settlement of the conflict in Bosnia, agreeable to all parties, and we commend the European Union Action Plan of 22 November 1993 to secure such a negotiated settlement. We reaffirm our determination to contribute to the implementation of a viable settlement reached in good faith. We commend the front-line states for their key role in enforcing sanctions against those who continue to promote violence and aggression. We welcome the cooperation between NATO and the WEU in maintaining sanctions enforcement in the Adriatic.

25. We denounce the violations by the parties of the agreements they have already signed to implement a ceasefire and to permit the unimpeded delivery of humanitarian assistance to the victims of this terrible conflict. This situation cannot be tolerated. We urge all the parties to respect their agreements. We are determined to eliminate obstacles to the accomplishment of the UNPROFOR [United Nations Protection Force] mandate. We will continue operations to enforce the No-Fly Zone over Bosnia. We call for the full

GLOBALIZATION'S EFFECTS ARE HARDLY THEORETICAL, AS A CONGRESSIONAL BUS TOUR SEES.

# Fair Trade or Bust

JIM HIGHTOWER

"We are too quiet," John Lewis says in his quiet but forceful voice to the people assembled around him. "We need to make some noise." Lewis is the Atlanta Congressman who was side by side with Martin Luther King Jr. in the bloody-ugly confrontations of the civil rights movement in the sixties. But on this late-February day, 1998, he is in Columbus, Georgia, working with another downtrodden group, encouraging them in their fight not against Jim Crow but against a new oppressor: global corporatism.

Globalization is a much more polished and cosmopolitan overmaster than the old Southern power structure, but not any less ruthless as it bloodies heads worldwide, making a mockery of workers' rights and devastating entire communities. Today's globalist is Bull Connor in an Armani suit, enforcing order with Wall Street lawyers rather than fire hoses, holding people down with Washington lobbyists rather than snarling dogs.

Representative Lewis is one of several lawmakers (including David Bonior of Michigan, Allen Boyd of Florida, William Delahunt of Massachusetts, Marcy Kaptur of Ohio, Bart Stupak of Michigan and Karen Thurman of Florida) who are going to the grassroots this year to learn about the issue firsthand. It was after hearing from some locals in a Columbus union hall that Lewis said, "We need to make some noise," not so much to them as to himself and the House members with him.

These members are veterans of the floor fights against NAFTA in '93 (which they lost) and "fast track" in '97 (which they won), and they know many more fights are coming. "We are on a journey," Lewis says, invoking the gospel reference and long-term strategy embraced by the civil rights movement. It's a journey to establish a new American policy of fair trade based on raising the world's labor, health, environmental and living standards—rather than knocking ours down. Believe it or not, this is considered an unacceptable option in Washington, which is why the Representatives decided to take to the countryside.

They did it in proper plebeian style, too—a far cry from one of Bill Clinton's Renaissance Weekends at Hilton Head, or one of the G.O.P.'s resort retreats. Called the "Fair Trade or Bust Tour" (get it?

*Jim Hightower's Chat & Chew radio talk show (www.jimhightower.com) is syndicated coast to coast. His latest book is There's Nothing in the Middle of the Road But Yellow Stripes and Dead Armadillos (HarperCollins).*



Bus/Bust?...never mind), the trip was organized by Lori Wallach and Mike Dolan of the Citizens Trade Campaign, a coalition that includes Ralph Nader's Public Citizen. C.T.C. provided a groaning old bus, a long-haul driver named J.W., sandwiches and potato salad for lunch and dinner, and accommodations in the spare bedrooms of local families. As the country's only nationally syndicated populist radio host, I was invited to hop the bus and broadcast my daily talk show from the road with them, which I joyfully did.

Beginning with a pulpit-thumping, gospel-singing, standing-room-only rally in the sanctuary of Ebenezer Baptist, the Atlanta church where King himself preached, the two-day tour wound its way from urban to suburban settings, from small towns to farms. The uniqueness of this Congressional foray among the folks is that the lawmakers did precious little speechifying and a whole lot of listening and note-taking. They heard stories like those told by former workers of Lucent Technologies, the \$26-billion-a-year giant that until recently made and repaired telephones for AT&T.

About a hundred Communications Workers of America members gathered outside their now-closed plant on the edge of Atlanta to tell us about being drop-kicked from the edge of the new global economy. A thousand of them had been employed there and had gradually worked their way into the middle class, earning some \$15.50 an hour—roughly \$30,000 a year. These were skilled, efficient and reliable workers. Quality. Still, Lucent constantly messed with them, saying Mexico beckoned. They were told in the early nineties to take a \$2-an-hour pay cut, and they did. But even that giveback wasn't enough. Shortly after a gleeful Clinton and Congress rammed through NAFTA, Lucent hitched up the wagons and hauled off to Reynosa, Mexico, where maquiladoras pay workers \$1 an hour with no benefits, then ship product back to a store near you without paying any tariffs or honoring any quotas.

Anna Harris is one of the former Lucent workers who poured out their stories. Now in her early 50s, she was abruptly abandoned by the globally wayward Lucent after twenty-five years. She now works for \$7.50 an hour at a Target store, though she can only get sporadic hours, adding up to less than full time each month and a poverty income each year. Ironically, she sells AT&T phones at Target. Even though the Mexican-made phones are produced by low-paid laborers now, the retail price at Target is not a dime cheaper. Welcome to the New World Order.

Conventional wisdom among Washington's political cognoscenti is that NAFTA, fast track, GATT, W.T.O., I.M.F., M.A.I. and the other pillars of our globalization policy are way too complex and arcane to interest, much less engage, ordinary Americans. But even a dog knows the difference between being stumbled over and being kicked. For America's workaday majority, globalization is not theoretical, it is experience. Neither is global greed anonymous. Behind the corporate masks are individuals whose names are known to folks like Anna Harris—individuals like Lucent C.E.O. Rich McGinn, who hauls home about \$2.5 million a year and has not offered to cut a dime of it in the interest of improving the firm's "global competitiveness."

The people know that globalization, as currently practiced, is globaloney. They know, too, that Bill Clinton, Newt Gingrich, Trent Lott and the lesser royals of Washington who preach the glories of the new internationalism have their pockets stuffed with corrupt campaign cash from the global profiteers.

Representatives Bonior, Kaptur, Lewis and the rest were barely off Capitol Hill before the powers that be were firing shots at

them. Democratic leader Dick Gephardt pointedly let it be known that he is too busy inside the Beltway crafting a Republican-Democratic trade policy compromise to be taking any bus rides. Representative Calvin Dooley, co-chair of the New Democrat Coalition, even pronounced the BusTourers disloyal: "We just spent two days at Wintergreen [a Virginia resort] talking about issues that unify the party. I find this entirely inconsistent with efforts to maintain Democratic Party unity."

But the political elites—especially Democrats—are badly misjudging the power and volatility of this issue. Globalization is no more about trade than civil rights was about states' rights. Rather, it's a moral issue that goes right to the heart of people's fundamental sense of economic fairness and social justice. John Lewis knows from his hard-won experiences in the civil rights movement that Washington will be the last to get it. But the good news is that the noise level is rising in the countryside. The BusTour continues in April along the Mexican border, and it will also go to the West Coast, the upper Midwest, the Northeast and elsewhere. It's our country's unity that is at stake.

(Continued From Page 2)

State College, Pa.

■ Garrison Keillor says cable channels make public TV obsolete. I have to agree. The problem is that they don't—or won't—produce the programs that public TV provides. No cable service is even close to the quality of PBS's children's programming. Oh sure, there are some good programs on TLC or Nickelodeon, but they are few and far between, and compromised by the commercials in and around them. True, cable TV does a lot, but only 73 percent of the nation's households subscribe to cable or have satellite TV. By contrast, public TV is available free to nearly 98 percent of all TV households in the United States. No, I think that public TV is alive and well, despite the conventional wisdom down at the Chatterbox Cafe. **GABO PETERSEN**  
Penn State Public Broadcasting

#### SHE'S NOT A JOLLY GOODFELLA

Washington, D.C.

■ We who have worked closely with Geraldine Ferraro were shocked by your baseless attack on her ["Ferraro Goes Impersonal," Feb. 2/9]. We do not know the substance of the charges against Ferraro in the editorial, particularly the vague "inconvenient facts" about mobsters. We do know that all charges against her were closely analyzed by the F.B.I., the State Department and the Senate Foreign Relations Committee in connection with her work on intelligence-related matters, and with her representation of the United States at international human rights proceedings; the latter required high-level State Department and Senate security clearance.

Her insistence on a pledge against personal attacks is certainly understandable. She was viciously attacked in 1992 with false allegations by Elizabeth Holtzman and Robert Abrams, which gave the election to the egregious Al-

fonse D'Amato. Who should have to go through that again? *The Nation*, either indifferent to or ignorant of any of this, concludes by chiding her opponents with acceding to "a political overture," the Mafia code of silence. The insinuation is obvious. *The Nation* should not stoop so low. **IRMAN SCHWARZ**  
FELICE D. GAER

#### FROM THE GREEDY TO THE NEEDY

Fort Lauderdale, Fla.

■ Richard Rorty's "First Projects, Then Principles" [Dec. 22] (which has only now come to my attention) is correct in placing campaign finance reform first in his list of things that need to be accomplished to halt bribery of our politicians by the "rich and greedy." However, he offers only a palliative in his prescription of free TV time. President Clinton tossed out that bone in his State of the Union Message. A far better proposition would be the Clean Money Option adopted by the voters in Maine in 1996. In exchange for a promise to voluntarily accept a ceiling on campaign expenditures, public funds would be available to pay for reasonable efforts to present a candidate and his views in the various forms of media advertising customarily employed. If one of the candidates refused to take the pledge and accept a ceiling on her spending, her opponent would receive an additional sum from a public campaign fund to equal the spending of the noncomplying candidate.

There are ongoing efforts, particularly in Massachusetts but in other states as well, to put this method of eliminating private money from the political process into effect in statewide elections. In the last session of Congress, Senators Wellstone, Kerry, Biden and Glenn introduced similar legislation for federal campaigns.

The left could find many allies among the disillusioned ranks of voters who, after the dis-

closures of the horrors of campaign finance in the 1996 elections, realize that only as private money donors are replaced by public financing will we strike a blow for the needy and against the greedy. **JOHN B. ANDERSON**  
National co-chair, Public Campaign  
Former Member of Congress

#### ALL THE WAY WITH 401(K)

Dallas

■ Michael Moore's trenchant "Is the Left Nuts? (Or Is It Me?)" [Nov. 17] was ironically borne out by the editorial in the same issue expressing regret that the October stock market hiccup was not worse, to punish the plutocrats. But in the nineties, the booming U.S. stock markets now contain the life savings and retirement hopes of a lot of working Americans. For today's workers, traditional pensions have disappeared, job security is gone, college costs have exploded, real estate has tanked and real wages have stagnated. We're on our own as far as saving for retirement and somehow staying employed. But working Americans who have invested in equities—through 401(k) plans—have benefited from an astonishing 95 percent return in the past three years. The same capitalist forces that generated chainsaw layoffs, wholesale elimination of benefits and job insecurity have also produced remarkably efficient U.S. companies. These efficiencies—whether or not you approve of the methods—have increased the value of the retirement accounts and college funds of millions of average Americans.

You should cheer the mild intervention of the Fed and the Administration to reassure investors that the economy is sound despite the well-deserved Asian meltdown. The market rout you wish for would hurt the very people *The Nation* and the left have traditionally cared about: working Americans. **GEORGE ALLEN KIRCHWEY**

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## INTRODUCTION

*Wealthfare*—the money we hand out to corporations and wealthy individuals—costs us at least \$448 billion a year. Let's put that number into perspective:

- The federal deficit—the amount the government's expenditures exceed its revenues—is now running about \$117 billion a year (all figures on this page are for fiscal 1996). So we could wipe out the entire deficit simply by cutting wealthfare by about 26%.
- Welfare for the rich costs us about 3½ times as much as the \$130 billion we spend each year on welfare for the poor—an amount the 1996 welfare "reform" bill will reduce significantly. (For details on the programs that make up welfare for the poor, see the appendix that starts on page 157.)
- The federal budget's discretionary spending—in other words, not counting entitlement trust funds like Social Security and Medicare—is \$1.23 trillion. So three years of wealthfare costs us more than it does to run the government for a year.
- The federal debt, which has been accumulating since 1789, is now about \$5.1 trillion. So just 11½ years of welfare for the rich equals more than 200 years of deficit spending by the whole federal government.

For a summary of what goes into that \$448-billion wealthfare figure, turn back one page to the table of contents, where we list the estimated annual cost of the various subsidies, handouts, tax breaks, loopholes, rip-offs and scams this book describes.

We've calculated these amounts as precisely as possible, but since they change every year—and since data is often hard to obtain—they're inevitably estimates. But you could cut them all by 75% and welfare for the rich would still cost almost as much each year as the federal deficit.

We're not saying that \$448-billion figure is an overestimate—if anything, it's an *underestimate*. Time and space limitations forced us to leave out many major categories of wealthfare.

Most of these could be books in themselves: state and local wealthfare (as opposed to federal), the easy treatment given white-collar criminals, Medicare waste and fraud, automobile subsidies, the effects of Federal Reserve policies, the NAFTA and GATT treaties, foreign aid, deregulation of various industries, fraudulent charitable deductions, and on and on.

We discuss some of them in the chapter called *What we've left out*, which begins on page 115. (Only the Pentagon chapter is longer, which gives you an idea of how much wealthfare isn't included in our estimate.)

Even within categories we do cite figures for, there are often additional wealthfare expenses we haven't been able to nail down. So, in our view, \$448 billion greatly understates the amount of money American taxpayers spend each year on welfare for the rich.

### ***Stealing from the poor***

Before we go on, we'd like to make something clear. We're not saying there's anything wrong with being rich, in and of itself. Many wealthy



people earned their money by producing a product or service the public liked and wanted to buy, or by helping a company do that. The Grateful Dead are a good example—their concerts became so popular that they had to run lotteries to decide who got to buy tickets.

Now, speaking personally, we don't think people should inherit fortunes while others spend their whole lives scrambling to get by. We also think that, as long as anybody in the world is starving, there should be an upper limit on how much money any one person can have. But this book isn't about those issues.

All this book says is that it's not fair for people to get rich—and stay rich—by *defrauding people who are poorer than they are*. As you'll soon see, stealing from the poor—actually, from anybody who isn't rich—has become standard operating procedure in this country. In fact, the US government today functions mostly as a huge Robin-Hood-in-reverse.

***But doesn't it help the economy?***

It's sometimes argued that corporate welfare benefits society as a whole, by recirculating money back into the economy. Of course, that's also true of welfare for the poor, which benefits landlords, supermarkets, variety stores, etc.

What's more, a lot of welfare programs pay for themselves many times over in future savings on health care, prisons and welfare payments. (Head Start is a perfect example—according to conservative estimates, \$1 invested in Head Start saves \$3 in future costs to society.)

Corporate welfare, on the other hand, tends to finance industries that pollute our air, water and soil, so we end up paying for them twice—with our money and with our health. Subsidizing certain businesses or industries is not only unfair to competitors who aren't subsidized, but it also stifles the incentive of the subsidized businesses to innovate and to develop new products, which ultimately makes them less competitive.

Welfare for the rich fosters corruption, both in business and in government. And it's not uncommon for two welfare programs to conflict—as when the Interior Department subsidizes irrigation water for agribusinesses and the Agriculture Department pays those same companies not to grow crops with that water. (What do the companies do? Why, sell the water back to local governments at a profit, of course. What else?)

It's not as if the money currently used for welfare would suddenly evaporate if we weren't handing it over to the rich. It could go into the economy some other way, and would almost certainly have a more beneficial effect. (For more on this, see the section called *What about the jobs we'd lose?* It starts on p. 25, in the chapter on military waste and fraud.)

There's one final cost to all this welfare chicanery. The creative talents of a lot of very bright lawyers, accountants and financial advisors are spent figuring out how to squeeze the maximum benefit out of our labyrinthine tax code. If they weren't wasting

their time on that, they could be doing something genuinely useful, which would make the economy more productive for all of us.

#### **Who gets taxed?**

Back in the 1950s, US corporations paid 31% of the federal government's general revenues. Today, they pay just 11%. If businesses paid taxes at the same rate they did 40 years ago, the federal deficit would disappear overnight—and that's without eliminating a single direct subsidy or handout.

It's easy for "fiscally responsible" candidates to achieve their dearest goal, balancing the budget. All they have to do is get corporations to pay as much in taxes as they did when what was good for General Motors was good for the country.

Taxes that corporations don't pay have to be raised by taxing individuals. Not by taxing all individuals *indiscriminately*, of course—that would be un-American. A series of tax "reforms" that began in 1977 have cut the rate paid by the richest Americans nearly in half, while Social Security taxes—which are paid overwhelmingly by ordinary wage earners (and not paid at all on income over \$62,700)—have steadily risen.

#### **The rich get richer**

Not surprisingly, these tax changes have contributed to a widening gap between rich and poor. Between 1983 and 1989, 99% of the increase in Americans' wealth went to the top 20% of the population, and 62% of it went to

the top 1% of the population (currently made up of families whose net worth is \$2.35 million or more). Income disparity in the United States is now the widest it's been since the crash of 1929, and it continues to grow.

The total net worth of that top 1% is now equal to the total net worth of the bottom 90% of the population! In other words, the 2.7 million Americans who are worth \$2.35 million or more have as much money as the 240 million Americans who are worth \$346,000 or less.

Wherever you look on the economic ladder, the rich are getting richer. The wealth of the top 20% has increased while the wealth of the bottom 80% has decreased. Within that top 20%, the top 5% have gotten richer than the bottom 15%. Within that top 5%, the top 1% have gotten richer than the bottom 4%. Within that top 1%, the top ¼% have gotten richer than the bottom ¼%.

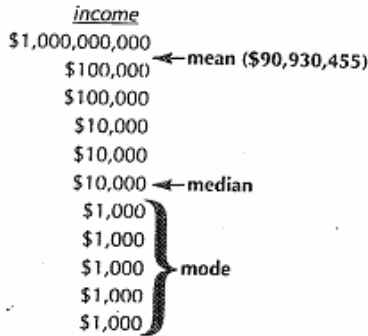
And so it goes, right up to the 400 wealthiest Americans. In the eight years from 1980 to 1987, their average net worth *tripled*.

Now, we hate paying taxes as much as anybody else, and we're certainly not fans of the IRS. But since corporations and wealthy individuals derive most of the benefit from what the government does, we think they should at least pay their fair share of taxes. They're always blathering on about free enterprise—a mythical system they wouldn't survive in for five minutes if it did exist—so let's assume they mean what they say, and take them off the dole.

since five laborers make that amount and no more than three people make any other amount. The mode is the value you'd get most often if you picked inhabitants at random and asked them to tell you their incomes. (In fact, \$1,000 is the answer you'd get 45% of the time.)

So, in this example, the mode also provides a much better idea of the average than the mean does. (The mode isn't typically at the bottom of the distribution, by the way; often it's near the median.)

Here's our example in chart form:



**billion**

Numbers in the billions contain three commas. A billion dollars is a thousand times more than a million dollars. It's equal to a stack of crisp, new dollar bills twelve times as high as the Empire State Building.

If you laid those dollar bills end-to-end, they'd stretch from New York to Los Angeles and back sixteen times, and you'd still have enough left over to go from New York to Mexico City and back.

Let's say you took a road trip. If you really pushed it, you might be able to drive an average of twelve hours a day (not counting gas stops, meals, sleep, etc.). If you drove seven days a week and averaged 65 while moving, it would take you almost four months to drive past a billion dollars' worth of dollar bills.

But a billion dollars is *nothing* compared to a trillion dollars.

**black budgets**

Both the Pentagon and the various intelligence agencies have secret "black budgets" that are completely off the books. Despite a Supreme Court ruling to the contrary, black budgets clearly violate the Constitution, which states that "no money shall be drawn from the Treasury, but in consequence of appropriations made by law" and requires that the government publish a "regular statement...of the receipts and expenditures of all public money."

**Congressional Black Caucus**

This policy-planning group consists of the African-American members of Congress.

**constant dollars**

Due to *inflation* (or, very rarely, *deflation*), the value of a dollar is always changing. So if you contrast how much something cost in, say,

1980 with how much it costs today, you're not going to get an accurate comparison. The way around that is to pick what the dollar was worth in a given year and make that the standard. Then you can say, "the project was expected to cost \$2.3 billion in 1980, but ended up costing \$7.8 billion (in 1980 dollars)."

**credit** — see *tax credit*

**debt**

The federal debt is the cumulative figure for how much the government owes at a given point in time (in other words, it's the total of all the *deficits*, minus any surpluses). In late 1996, the debt stood at slightly more than \$5 trillion.

**deduction** — see *tax deduction*

**deficit**

The federal budget deficit is how much expenditures exceed revenues in a given fiscal year. In fiscal 1995, it was \$164 billion, and it's projected at \$117 billion for fiscal 1996. Compare *debt*.

**deflation**

Deflation is when, over time, a given amount of money is able to buy more and more things. Compare *inflation*.

**depreciation**

Depreciation allows you to deduct a certain part of the cost of an asset from your taxable income each year, supposedly to allow for the decrease in its value as it ages. (Thus it's a kind of *amortization*.) *Depreciation schedules*

tell you how much you can take off each year; they vary with the type of property, and with changes in the tax code.

**depression**

A depression is simply a really bad *recession*. (There isn't a generally agreed upon benchmark for when a recession becomes a depression, but some people say it's when unemployment reaches 20%.)

**family** — see *household*

**federal debt or deficit** — see *debt or deficit*

**fiscal year**

A fiscal year is any twelve-month period an organization (a corporation, governmental entity or whatever) uses for its budgets. It can be the same as a calendar year (January 1 to December 31) but often isn't.

The federal government's fiscal years begin on October 1st and are named after the calendar year in which they end. So fiscal year 1996—typically abbreviated *FY96*—began October 1, 1995 and ended September 30, 1996.

**GDP** — see *gross domestic product*

**general fund revenues**

These include all federal revenues except for entitlement programs like Social Security and Medicare, which aren't discretionary and which are provided for by separate trust funds (at least they *were* separate, before greedy politicians got their hands on them). Combining entitlements with general fund

revenues is a trick politicians play to hide how much money they're spending on discretionary items like the military budget.

**GNP** — see *gross national product*

**gross domestic product**

The gross domestic product (or *GDP*) is the total market value of the goods and services brought into final use in a nation in a certain period of time (usually a year). It became the official measure of the US economy in 1991, replacing the *gross national product*.

This change brought us into line with the way most other industrialized nations figure it, thus making comparisons easier. (For the US, the GDP and the GNP are very similar.)

**gross national product**

The gross national product (or *GNP*) is the *gross domestic product* plus income earned by the nation's residents in foreign investments, minus income earned by foreign investors in the domestic market. In other words, the GNP measures what's produced by a nation's citizens, regardless of where they're located.

**household**

The Census Bureau distinguishes between a *household* (any group of people living together) and a *family* (an "economic unit" joined by marriage). That's why figures for median household income (or net worth) are different from those for family income (or net worth).

**House Progressive Caucus**

This policy-planning group consists of progressive members of the House of Representatives.

**income disparity**

As its name implies, this measures how evenly or unevenly income is distributed among people in a particular group (usually a nation). Of course, there can be different kinds of income disparity. In Saudi Arabia, for example, few people are really poor and a relatively small group make tons of money.

In the United States, many more people are poor and many more are rich (although few make as much as the richest Saudis). These varieties of income distribution complicate the question of how to measure income disparity, but if you just want to know if a nation has a lot of income disparity or a little, it usually isn't hard to tell.

**inflation**

Inflation is when, over time, a given amount of money is able to buy fewer and fewer things. Compare *deflation*.

**mean** — see *averages*

**means testing**

Means testing is figuring out how much money someone has, in order to decide if they're eligible for a welfare program that's only supposed to be open to people with low incomes and few assets.

**median** — see *averages*

**million**

Numbers in the millions contain two commas. A million dollars is a thousand times more than a thousand dollars. Laid end-to-end, a million dollars' worth of dollar bills would stretch almost 95 miles.

Imagine yourself driving by them. You're doing 65, so they're just a blur there by the side of the road. Still, it takes you almost an hour and a half to get past all those dollar bills.

But a million dollars is nothing compared to a billion dollars.

**mode** — see *averages*

**multinational** — see *transnational*

**PAC**

A PAC (the name is short for *political action committee*) is basically just a way to get around limits on campaign contributions. Also, by bundling many small-to-medium-sized donations, PACs have more influence. A politician may not know—or care—what industry you're associated with if you send in a \$100 donation, but that's never the case when \$5000 or \$10,000 comes from a PAC.

**perk**

A perk—short for *perquisite*—is an extra benefit, beyond salary, that someone gets by virtue of being in a certain job (or unpaid position). For example, a company pays for a business flight but the employee who makes the flight

gets the frequent flyer miles. (*Fringe benefit* means almost the same thing as *perk*, but a perk is much more likely to be an unofficial benefit that isn't explicitly stated anywhere.)

**prime rate**

Theoretically, the prime rate is the lowest interest a bank charges (on money it lends to its best customers). More typically, it's an arbitrary benchmark to which other interest rates are pegged.

**progressive tax**

With a progressive tax, the more money you make, the higher the percentage of it you pay in taxes. US income tax is supposed to be progressive. Compare *regressive tax*.

**recession**

A recession is usually defined as a decline in general business activity (as measured by the *GDP*) that goes on for at least two or three quarters (that is, for six to nine months). When a recession is really bad, it's called a *depression*.

**regressive tax**

With a regressive tax, the less money you make, the higher the percentage of it you pay in taxes. Many new tax proposals—as well as many existing provisions—are in fact regressive (the Social Security tax is a good example). Compare *progressive tax*.

**revenues**

Money coming in to the government. Also see *general fund revenues*.

## TAKE THE RICH OFF WELFARE

### **tax credit**

A tax credit lets you subtract an expense from the taxes you owe, not merely from your income (as a *tax deduction* does). Depending on your tax bracket, a credit is currently worth about 2½ to 7 times more than a deduction of the same size.

### **tax deduction**

A tax deduction lets you subtract an expense from the income you report on your tax return. Compare *tax credit*.

### **transnational**

A transnational—or *multinational*—is simply a corporation that has operations in more than one country. Typically, however, the term is used to refer to the larger transnationals, which are richer than many countries and more powerful than most. (We prefer the term *transnationals* to *multinationals* because it's better at giving the flavor of how they soar over and subsume mere nations.)

### **trillion**

Numbers in the trillions contain four commas. A trillion dollars is a thousand times more than a billion dollars and a million times more than a million dollars.

A trillion dollars is equal to a stack of crisp, new dollar bills almost three thousand miles high. If you laid that pile down on its side, packed tightly together, it would stretch from New York to Los Angeles.

If you took that same trillion dollars in dollar bills and laid it down end-to-end, it would

## WELFARE FOR THE POOR

stretch from New York to Los Angeles and back about 17,000 times—or from the earth to the sun and then around it.

If you started a business the day Christ was born and it lost a million dollars a day, you'd still have more than 700 years to go before you lost a trillion dollars.

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## WELFARE FOR THE POOR

Federal expenditures on welfare for the poor cost around \$130 billion in fiscal year 1996. There are two basic categories of benefits—those that go exclusively to the poor (or are supposed to) and those that go partially to the poor. The following programs fall into the first group:

- **Food stamps**—\$26 billion. (This program was severely cut back by the 1996 welfare "reform" bill.)
- **AFDC** (Aid to Families with Dependent Children)—\$18 billion. Along with food stamps, AFDC is what most people think of as "welfare." It's always been controversial because it's mostly geared towards women who are raising children without male support. (AFDC was essentially abolished by the 1996 welfare "reform" bill.)
- **Housing assistance**—\$13.1 billion. Section 8 helps families living in private housing keep their rent below 30% of their family income (at a cost of \$9.8 billion a year); a similar program does the same thing for people living in public housing projects (\$3.3 billion a year). Between them, they cost about half of the \$26 billion in welfare rich homeowners receive (as described in that chapter).

Taken from Against the Conventional Wisdom,  
by Douglas Dowd (1997).

1

## *Myths and Realities of the Free Market*

Markets are useful guides for certain purposes. But as economist Samuel Bowles has warned, "Markets not only allocate resources and distribute income, they also shape our culture, foster or thwart desirable forms of human development, and support a well defined structure of power. Markets are as much political and cultural institutions as they are economic."<sup>1</sup>

The marketability of *everything*—the aim of free market guru Milton Friedman and his numerous followers—means the commodification of everything. Commodification has been and will remain lethal for a goodly number of vital economic and social processes, the very processes that do so much to determine the quality of our existence, those that involve health, education, and the preservation of natural resources. The need is great to disentangle what is valuable from what is harmful in the operation of free markets, to extract what can be a useful guide to economic policy from what has now become an indiscriminate endorsement of the market.

### "Listen to the Market"

The spuriousness of today's free market dogma is quickly exposed if, in response to the command to listen to the market, one asks "*which* market?" Only rarely is there a hint of what would almost always be the accurate answer: the financial market—and there is more than one. Even if that is made clear, however, scarcely ever is it also acknowledged that the financial sector is dominated, not by the servicing of productive investment that has provided its reputability, but by speculation in securities and in the foreign exchange market (the latter exceeding \$2.6 trillion per day).<sup>2</sup> And one would have to follow such matters closely indeed to know that those who do the



speculating are mostly in their late twenties (Nicholas Leeson was just twenty-eight when he brought Baring Brothers down), and that their daily exertions resemble fraternity high jinks considerably more than the staid behavior once thought typical of bond traders: today Nintendo, tomorrow derivatives games (in which it is estimated more than \$40 trillion are involved).

All that is a far cry from what Adam Smith (1723–1790) had in mind in his *An Inquiry into the Nature and Causes of the Wealth of Nations* (1776), the newly canonized bible of free market capitalism. Smith's aim was to break the hold of concentrated and corrupt power over the British economy—power held by the monarchy (the “mad” George III and his decadent court) in conjunction with the most powerful merchants and industrialists of the time.

The power those business groups possessed had been granted to them by the Crown—in a “patent of monopoly”—to their mutual enrichment. Such monopolies were granted to the members of giant trading companies (e.g., the East India Company) and, among others, to industrialists, giving them the sole right to produce a commodity (e.g., the Batteries Royal for arms or, for that matter, Johnny Walker for whiskey). Those arrangements, which Smith called “the mercantile system,” were initiated in the sixteenth century as a response to the weaknesses of traders and producers in the early modern era. They needed state protection and support to survive and flourish, and the Crown needed economic strength in an epoch of almost permanent war among the budding nation-states.

Smith had many aims; central to all of them was his recognition of the burgeoning of the new technology. For well over a century before the publication of the *Wealth of Nations*, the productive forces that would underlie modern industry had been emerging, but their application to production was suppressed by the entrenched beneficiaries of the old system.

By Smith's time, when Britain's private sector and its state were poised at the very edge of economic and military triumph, the fused relationships between the private and state power centers had come to mean always-deeper corruption, always more lost opportunities for what otherwise could become a dynamic industrialization process. Although his current devotees ignore it, Smith trusted neither the means nor the ends of businessmen—“an order of men,” he observed, “whose interest is never exactly the same with that of the public, who have generally an interest to deceive and even to oppress the public, and who accordingly have, upon many occasions, both deceived and oppressed it.”<sup>3</sup>

Smith *did* trust a free market—free of social, political, and business power or control—made and kept free by “the invisible hand” of market competition. He believed that such competition could come to be and would “transform individual selfishness into social well-being”—*if and only if* all sellers were small, no single company were big enough alone or with others to control *any* portion of the market. In other words, the market would determine the sellers' fates, not, as with the twentieth-century supercorporations, vice versa.

Smith died in 1790, a quarter of a century before the founding of the first enterprise to realize his technological hopes—an English cotton textile factory. In subsequent decades something like his free market ideal developed in that industry, with large numbers of competitive small producers and sellers. However, the profits of those enterprises depended upon the exploitation of powerless textile workers (including very young children), who worked twelve-to-fourteen-hour days, received bare subsistence wages, and led sickly and short lives. Smith's analysis, like those of the classical economists who followed—and like Marx—accepted the "labor theory of value," which took harsh working conditions and subsistence wages as given.

*The Wealth of Nations*, the fount of today's "economic wisdom," may be seen as a set of arguments that in Smith's time was reasonable, although seriously flawed by omissions—more understandable for one who wrote before rather than after the amply documented social outrages and human damages of industrialization. The harsh realities of nineteenth-century industrial capitalism notwithstanding, Smith's analysis hardened into ideology—in Britain and later in the United States (but not in other leading countries). As always, the costs of those "errors of omission" were borne by the powerless, whether in the industrializing or in the colonized countries. Those costs not only rose but also became socially explosive. The nineteenth century ended with a plague of wars over colonial interests, and the twentieth began with the most disastrous war in history—until that time.

Then, bent and battered almost beyond recognition by the economic and political convulsions—wars, depression, revolutions, and counterrevolutions—of the first half of this century, the philosophy and practices of "free market enterprise" were shunted into the shadows. For most of the period after World War II the leading capitalist nations were characterized by some degree of social democracy (as in Western Europe) or by the "welfare-warfare state," as in the United States.

But as the 1970s ended, both the ideology and the policies of the market were resuscitated—first in Margaret Thatcher's Britain, then in Ronald Reagan's United States. By now, free marketry, powered by the governments of the United States, Germany, and Great Britain and by their leading corporations, central banks, and the global financial institutions they dominate, has become an epidemic throughout the world. One should note, however, that free markets do not in fact exist if the business world can help it: With one arm business elbows out public controls; with the other it develops private controls—alone or, all else failing, in concert with rivals. Nevertheless, the market ideologues blithely use Smith's language, even though they cannot legitimately employ his analysis.

Feb. 17 '99

# The Clinton Doctrine

[See below for background information.](#)

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President Clinton's decision to use military force against the Serbs was not simply a calculated response to Slobodan Milosevic's intransigence. A careful reading of recent Administration statements and Pentagon documents shows that the NATO bombing is part of a larger strategic vision.

That vision has three basic components. The first is an increasingly pessimistic appraisal of the global security environment. "In this last annual threat assessment of the twentieth century," Director of Central Intelligence George Tenet testified on February 2, "I must tell you that US citizens and interests are threatened in many arenas and across a wide spectrum of issues." Those perils range from regional conflict and insurgency to terrorism, criminal violence and ethnic unrest.

The second component is the assumption that as a global power with far-flung economic interests, the United States has a vested interest in maintaining international stability. Because no other power or group of powers can guarantee this stability, the United States must be able to act on its own or in conjunction with its most trusted allies (meaning NATO).

The third component is a conviction that to achieve global stability, the United States must maintain sufficient forces to conduct simultaneous military operations in widely separated areas of the world against multiple adversaries, and it must revise its existing security alliances--most of which, like NATO, are defensive in nature--so that they can better support US global expeditionary operations.

Combined, these three propositions constitute a new strategic template for the US military establishment. This template is evident, for example, in the \$112 billion the President wants to add to the Defense Department budget over the next six years, which will be used to procure additional warships, cargo planes, assault vehicles and other equipment intended for "power projection" into distant combat zones.

Less public, but no less significant, is the US effort to convert NATO from a defensive alliance in Western Europe into a regional police force governed by Washington. Secretary of State Madeleine Albright first unveiled this scheme this past December at a meeting of NATO foreign ministers in Brussels. Claiming that missile-armed "rogue states" pose as great a threat to Europe as the Warsaw Pact once did, Albright called on NATO to extend its operational zone into distant areas and to combat a wide range of emerging threats. "Common sense tells us," she said, "that it is sometimes better to deal with instability when it is still at arm's length than to wait until it is at our doorstep."

Herein lies the essence of what might be termed the Clinton Doctrine--the proposition that the best way to maintain stability in the areas that truly matter to the United States (like Western Europe) is to combat instability in other areas, however insignificant it may seem, before it can intensify and spread. Perha4/30/99 9:09 AM

most explicit expression of this doctrine was Clinton's February 26 speech in San Francisco--an important statement that clearly foreshadowed the decision to bomb Serbia:

It's easy...to say that we really have no interests in who lives in this or that valley in Bosnia, or who owns a strip of brushland in the Horn of Africa, or some piece of parched earth by the Jordan River. But the true measure of our interests lies not in how small or distant these places are, or in whether we have trouble pronouncing their names. The question we must ask is, what are the consequences to our security of letting conflicts fester and spread. We cannot, indeed, we should not, do everything or be everywhere. But where our values and our interests are at stake, and where we can make a difference, we must be prepared to do so [emphasis added].

This is an extraordinary statement; not since the Vietnam era has a US President articulated such an ambitious and far-reaching policy. Moreover, as we have seen in the Balkans, Clinton has every intention of acting on its precepts. His decision to bomb Serbia is consistent with a clearly delineated strategic plan.

There is a growing debate over the wisdom of bombing Serbia. Certainly many people are concerned about the humanitarian dimensions of the Serbian actions in Kosovo. But in the course of this debate it is essential not to lose sight of the larger strategic doctrine behind the bombing. If the newly hatched Clinton Doctrine is not repudiated, the bombing of Yugoslavia may be only the first in a series of recurring overseas interventions--a prospect that should galvanize peace and disarmament groups across America.

Michael T. Klare

# The Kosovo/NATO Conflict: Questions and Answers

*By Michael Albert and Stephen R. Shalom*

## 1. What are the roots of the Kosovo conflict?

Ethnic Serbs and Albanians give extended historical arguments going back as far as 1389 or 1912 or World War II. The basic issue is that the Kosovo province of Serbia (called Kosova in Albanian) has a large majority -- as much as 90 percent -- of ethnic Albanians with a roughly 10 percent Serbian minority. The Kosovo Albanians, however, are only about 16 percent of Serbia's total population. The Kosovo Albanians claim to be an oppressed minority within Serbia and want self-determination. The Kosovo Serbs claim to be an oppressed minority within Kosovo, and want protection from the Albanians. For Serbs, Kosovo, particularly in the north, is the site of many historical events and locales, their Jerusalem and Alamo rolled into one.

Yugoslavia consisted of 6 republics (Serbia, Slovenia, Croatia, Montenegro, Macedonia, and Bosnia-Herzegovina) and in 1974 Tito gave autonomous status to two provinces of Serbia, Kosovo and Vojvodina. Kosovo autonomy allowed its ethnic Albanians to develop their own institutions, but angered Serbian nationalists. The Yugoslav League of Communists (LCY) under Tito and after his death in 1980, suppressed nationalist ideology and political dissent.

In 1987, however, Slobodan Milosevic used anger over Kosovo to take control of the Serbian branch of the LCY. The previous leaders, Milosevic charged, had appeased the Albanians and failed to defend Serb interests. In 1989, Milosevic revoked Kosovo's autonomy, encouraging forcible Serb repression of the Albanian majority ever since. Most Albanian Kosovars now want complete independence.

## 2. What is the KLA?

The Albanian Kosovars fought Serb control in 1989 by non-violent resistance: they elected their own leaders, refused to cooperate with the Serb authorities, and established their own counter-institutions. Their "president" was Ibrahim Rugova, a

follower of Gandhi, who urged his people to reject violence while working toward independence. Serbian repression in Kosovo since 1989 didn't attract much concern from Washington. In 1995, when the United States sponsored talks in Dayton, Ohio to end the fighting in Bosnia, Milosevic was feted as the key to peace and Rugova was excluded from the conference. Thereafter repression increased in Kosovo and Rugova had little to show for his non-violent approach.

In 1996, an obscure organization appeared on the scene, the Kosovo Liberation Army (KLA, or UCK in Albanian), committed to armed struggle. They undertook some ineffectual attacks on police stations and sometimes Serb civilians, including Serbian refugees from the Yugoslav wars whom many Albanians viewed as colonizers intended to shift the demographic balance. In early 1998, Serbian special police assaulted three villages, killing more than eighty people, at least seventeen after they had been detained or surrendered. This attack drove thousands of Albanians into the KLA, and though still called terrorists by the Serbian authorities, they became a serious guerrilla army, with mass support. Over the next months the KLA took control of roughly 40 percent of Kosovo's territory. By late summer, however, Serbian forces retook most of the territory, their major tactic being to crush civilian support for the rebels by systematically destroyed towns and villages and forcing thousands of people to flee.

It is difficult to tell the KLA attitude toward Serb civilians. Human rights groups have accused them of serious human rights violations, including compelling Serb villagers to leave their homes, with some killings, though not approaching the scale of atrocities committed by Serbian forces. The KLA claims not to target civilians, while acknowledging that abuses are committed by fighters in the field.

### **3. Why does everyone talk about the conflict spreading?**

Massive refugee flows have the potential to destabilize many surrounding countries where there is a delicate ethnic balance. In Macedonia, for example, commentators fear that Albanian immigration would provoke the Albanian minority to secede or would even make it a majority, which the Macedonian majority is determined to prevent. And having hundreds of thousands of Albanians living in refugee camps brings visions of the Palestinians, with all the instability their plight has caused the Middle East. In addition, Albania has warned that it will not sit idly by if its compatriots across the border are slaughtered, and Serbia has made incursions into Albania to prevent the flow of weapons and recruits to the KLA. Finally, Turkey and Greece, long-time enemies, and Bulgaria as well might get involved. (Of course, it is a little odd for NATO to launch a war in order to prevent two NATO members -- Turkey and Greece -- from going at each other.)

### **4. Is the U.S. motivated by humanitarianism in the Balkans?**

No. But how do we prove such a claim? Suppose the U.S. is motivated to wage war

and drop bombs in this instance by humanitarian concerns. If so, that would mean that concern for the plight of oppressed minorities and populations ranked very high in U.S. policy-making calculations. We would then expect, it follows, that in any case where large populations are suffering horrible repression Washington would try to intervene to stop the repression.

Now consider the reverse claim that U.S. foreign policy is never motivated by concern for the well being of local constituencies but will only opportunistically use related rhetoric for rationalization purposes when possible. If this were true, in contrast, we would expect that the U.S. would intervene in the affairs of other countries only to serve domestic elites in the U.S. or to aid local elites in other countries on behalf of U.S. elites, or perhaps to influence or enhance policies undertaken by other countries thought to benefit U.S. government and elite interests -- but with the human costs to victims playing virtually no role in the calculations.

Now look at the evidence.

- Before World War II, for example, the United States could have admitted many Jews fleeing from Hitler's Europe; it did not.
- During World War II, the United States could have bombed the death camp at Auschwitz, slowing down the Nazi killing machine; it did not.
- When hundreds of thousands of people were slaughtered in Indonesia in 1965; the killers were cheered on by the U.S. government who even provided lists of communists to exterminate.
- When the Pakistani army began slaughtering and raping hundreds of thousands of Bengalis in 1971, sending millions into exile, U.S. policy was to (in Kissinger's words) "tilt in favor of Pakistan."
- When Indonesia invaded East Timor, leading to the deaths of one third of the population, it received weapons and diplomatic support from Washington. Just this past week, White House press secretary Joe Lockhart was asked whether the United States supported independence for East Timor. "Not that I am aware of," he replied.
- When the Khmer Rouge was responsible for monstrous killings in Cambodia, the United States encouraged China to aid the Khmer Rouge and provided covert aid of its own.
- When the government of Guatemala killed 200,000 people in the 1980s, it was with United States aid and encouragement.
- When upwards of half a million people, mostly members of the Tutsi ethnic minority, were exterminated in Rwanda in 1994, the Clinton administration demanded that a UN force already on the scene be reduced and obstructed efforts to save lives, even failing to apply diplomatic pressure against the killers.

Investigation of all these cases and many more -- the Turkish treatment of Kurds in Turkey, for example -- reveals a consistent pattern which has nothing to do with concerns for repressed populations and everything to do with calculations of U.S. elite and geo-political interests. In every case policy would have been roughly opposite to what took place, if there had been humanitarian concerns. There weren't, and there aren't.

## 5. So why is NATO now bombing in the Balkans?

Just as killings by the (U.S.-trained) junta in Haiti did not concern U.S. policymakers until large numbers of refugees started fleeing to the United States, so too human rights abuses in Kosovo did not concern U.S. policymakers as long as they didn't threaten regional stability. But as the fighting in Kosovo escalated, with large numbers of displaced Albanian refugees, U.S. officials decided they needed to curb the problem—not to aid locally affected people, but to prevent losses to U.S. interests due to the conflict spreading into other parts of Europe.

In February and March at Rambouillet in France, the United States and its European allies invited the Albanian Kosovars and the Milosevic government to sign an agreement that provided for the withdrawal of Serbian security forces from Kosovo, the disarming of the KLA, autonomy for Kosovo, a NATO peacekeeping force, and follow-up final-status negotiations after three years. Milosevic said he was unwilling to accept foreign troops on his territory. NATO said it would bomb him if the Albanians signed and he didn't. (Compare this with U.S. mediation efforts in Northern Ireland where threatening to bomb a recalcitrant party was not part of the equation.) The Albanians reluctantly accepted the Rambouillet agreement and Milosevic refused.

Now the primary NATO goal became maintaining its credibility. The Clinton administration had invested heavily in expanding NATO, to make it a primary instrument of U.S. policy not only in Europe, but beyond. There is an elementary point of big power politics that no one denies: threats made need to be carried out if the credibility of future threats are to be maintained. And, likewise, threats carried out but not yielding total victory need to be escalated until the adversary is crushed.

So why make the initial threat to bomb? There is a predisposition in Washington to favor military solutions. A diplomatic approach would have strengthened the UN and international law and made Russia a player, all of which would interfere with U.S. freedom of action. Bombing, on the other hand, leads with the U.S. strong suit. It provides a rationale for U.S. domestic military spending, and an international arms bazaar. It tells the world that the U.S. response to problems with other nations is to bomb them. "What good is this marvelous military force," Albright asked Gen. Colin Powell a few years back, "if we can never use it?"

## 6. What effects do the bombings have?

In preparation for the bombing, relief workers (who might have continued to mitigate the suffering) and international observers (who might have continued to discourage the most blatant atrocities) were pulled out of Kosovo. The NATO bombing then provoked a horrific outburst of ethnic cleansing by Serbian forces as hundreds of thousands of Albanian Kosovars were driven from their homes. Because all reporters and international observers had left Kosovo, we do not know the human toll of Serb actions, but it surely considerably exceeds the toll for the previous year, during which some 2,000 ethnic Albanian civilians had been killed and about 250,000 ethnic



Albanians had become refugees, most of them within Kosovo.

Even without the bombing, a Serbian offensive was likely imminent, but it is hard to believe it would have been as ferocious as what has occurred. The bombing incensed many even in Serbia's democratic movement, so one can only imagine how it must have affected Serb security forces in Kosovo. Unable to retaliate against NATO missiles and warplanes, they could be expected to lash out at those most vulnerable, ethnic Albanian civilians. Of course, none of this mitigates the responsibility for the atrocities on the part of those who carried them out. But if someone is holding a person hostage and you recklessly charge forward, leading to the death of the hostage, you also bear some responsibility -- all the more so if you rush in not out of true concern for the hostage, but for other reasons entirely. Many U.S. officials have acknowledged that they thought the bombing might well lead to a paroxysm of violence from Milosevic and that air power, the NATO tool of choice, could do nothing to stop that violence in the short run.

Bombing, of course, has had other implications as well. Within Yugoslavia the population has rallied to its leader, Milosevic. The democratic opposition, previously challenging Milosevic, now appears to be either dismantled, jailed, or, most chillingly, supporting him. As Zoran Djindjic, the leader of Serbia's Democratic Party and an organizer of pro-democracy demonstrations in 1996-97 put it, the "bombs have marginalized any dissenters here." Washington, he said bitterly, has spent more on one day's bombs than it ever spent helping the democracy movement in Yugoslavia. Montenegro, the smaller of the two Yugoslav republics, had previously passed a resolution questioning Milosevic's Kosovo policy, but the bombing has quieted its opposition as well. These results were predictable. And the level of hostility and tension in the whole region has climbed dramatically, making negotiations and a lasting peace, eventually obviously required, that much more difficult.

And then there is the horrible loss of life and means of sustaining life that mounts with each new raid of Belgrade and Yugoslavia as a whole. Bombing has a deadly logic of its own. What begins as "surgical" attacks inevitably expands. "We have to drop the bridges and turn out the lights -- there should be no more outdoor rock concerts in downtown Belgrade," Sen. John McCain told Newsweek. "Twelve days of surgical bombing was never going to turn Serbia around," wrote New York Times columnist Thomas Friedman. "Let's see what 12 weeks of less than surgical bombing does. Give war a chance."

## **7. But even if badly motivated, and even if they have some bad effects, won't the bombings at least restrain Milosevic?**

Restrain him from what? The idea that doing something necessarily improves a situation is, of course, quite false. Some things may be beneficial. Others not. Yes, even an ill-motivated action can sometimes have a desirable effect and therefore deserve support, but in this case the bombing is not only ill-motivated, its effects are horribly detrimental as well. It has worsened the plight of the Albanian Kosovars, vastly increasing the flow of refugees and, due to the scale, created a catastrophe of the first order. It has diminished the internal opposition to Milosevic, and if reports are

accurate perhaps destroyed it. It has undermined the UN, turned NATO into an offensive, interventionary institution, played havoc with international law, and further projected the U.S. as a country eager and willing to punish any deviations it discerns from its will with bombs, thus acting as a threat against countries throughout the world. All these effects are horribly negative and then there is the devastation of Yugoslavia itself, the immediate expansion of deaths and casualties, and the future expansion due to the wrecking of a country's infrastructure.

The remarkable thing is that there is little dispute about the above. Yes, our formulation has a moral tone that many others lack when recounting these facts, but the facts are not in doubt.

**8. But can the U.S. really be that vile? Isn't this just left cynicism and a knee-jerk rejection of all U.S. actions?**

Sometimes when a person or group holds roughly the same position repeatedly in different contexts it indicates that the person or group is gravitating to it reflexively or has lost touch with reason and is bending reality to fit his or her prejudices. And yes, there are likely critics of the bombing who have adopted a stance based not on evidence and sound reasoning, but on a pre-determined mindset, with facts bent to fit.

But, the facts of U.S. international relations, and of the limited options available in the case are really not in dispute. And the judgment drawn by critics of U.S. policy are not leaps from those facts or distortions of those facts or subjective impositions on those facts, but rather very simple deductions from the facts, which, were the culprit any other nation, would be obvious to all.

**9. How come there are conflicting viewpoints among leftists and progressives, some favoring bombing, some opposing it?**

There has been an avalanche of media commentary emphasizing the immense and grotesque crimes in the Balkans for nearly a decade. It is natural that some folks, including many on the left, have become very impassioned about wishing to see those crimes curbed. This desire, perfectly reasonable on the face of it (though at times ignoring other and often worse cases of repression and violence in the world), has left some folks blind to the reality that just saying that a policy helps people doesn't mean that, in fact, the policy does help those people. The desire not to ignore the plight of the Kosovars is worthy. But to advocate policies that end up hurting the Kosovars, Yugoslavia as a whole, international law, the UN, and by the threat-effect all who might oppose U.S. pursuits, on grounds that at least it is doing something, is unworthy.

**10. Why do many leftists inside Serbia deny that the Serbs have committed atrocities? Are we being misled about that?**

There are many factors at work, no doubt. Ethnic conflicts frequently find leftists on opposite sides, swept up in the myths and distortions of their own ethnic group. (Think of the Palestine-Israeli or the Turkish-Greek conflicts.) Having bombs drop in your neighborhood and nation, which destroy the daily functioning of your society, has, we know from history, a tremendously galvanizing and homogenizing effect on people's views. More, there is likely also honest confusion. Facts available outside Yugoslavia may not be available inside, or at least may not be comprehensible there.

In matters such as this, testimony from people on the scene, from whatever persuasion, must be understood in context. Single events can be elaborated into whole theses, a common trick of the mass media, but in chaotic situations there are single events demonstrative of pretty much any kind of behavior one might wish to find. What matters most is not single examples or events, but widespread patterns of behavior and broad policies and their broad implications.

**11. How come many right-wingers are against this action?**

Some rightwingers reflexively oppose anything Clinton does (a draft-dodger can't lead us into war, etc.) But there are two other sources of rightwing opposition. One is the general point that elites can differ in their views as to what best serves U.S. elite interests. If it doesn't work as planned, which is certainly a reasonable projection of likelihoods, this operation may in fact leave NATO and the U.S. in a worse place than at its outset. Therefore, for those who doubt the bombing's capacity to lead to stable results that legitimate NATO, reduce risk of spreading conflict, etc., there is reason to oppose the policy.

Moreover, to some rightwingers, multilateralism -- even if it's NATO rather than the UN -- is suspect because it reduces to some extent U.S. freedom of action. If the situation in Kosovo might cause a crisis in southeastern Europe, let the Europeans deal with it. The right opposes peacekeeping operations ("the United States needs to husband its resources for great exertions, not dissipate them in a thousand stagnant fens" [Charles Krauthammer]). And where left critics of the bombing argue that it will not achieve -- and will in fact exacerbate -- any humanitarian objectives, the right is about as concerned about the suffering in Kosovo as it is about the suffering in America's cities.

**12. What is the role of law in international relations and in this crisis? Where is the UN in all this?**

U.S. officials frequently proclaim their adherence to international law, except when they don't want to. So, Washington ignored a ruling by the World Court on Nicaragua, vetoed a Security Council resolution calling on all states to obey international law,

and more generally acts unilaterally whenever it feels like. The same pattern pertains in this case, too.

The Charter of the United Nations -- which is a treaty signed by the United States and thus part of the "Supreme law of the land" -- prohibits the use or threat of force against other nations except in self-defense to an armed attack or if authorized by the UN Security Council. When the United States can bring along the Security Council it is delighted to do so (for example, during the 1991 war against Iraq), even if it takes blatant bribery to pressure other states to assent. But where such consensus is impossible, Washington has been happy to simply ignore the Security Council, claiming that it has authorization from previous Council resolutions, even though most other countries see no such authorization (the U.S.-British bombing of Iraq in December 1998, for example) or else advancing ludicrous claims that it is acting in self-defense (as in its recent missile strikes on a Sudanese pharmaceutical plant).

Regional organizations like NATO simply do not have the right to act on their own. Article 53 of the UN Charter states that "no enforcement action shall be taken under regional arrangements or by regional agencies without the authorization of the Security Council." So in the case of Kosovo, the U.S. and NATO, confronting a problem, turned not to the UN but to the Pentagon. The UN is not entirely under U.S. auspices and could, conceivably, act independently and in a humanitarian manner which would frequently conflict with U.S. interests and require changes in U.S. policies.

**13. But aren't borders an abstraction? Shouldn't we be concerned with people rather than with nations? Why does it matter that Yugoslavia is a sovereign nation and that this is an internal conflict rather than between nations?**

Borders exist. And the reason to be concerned about their violation even with good motivations much less by a unilateral and illegal force uninterested in the plight of the suffering, is because respect for borders is one of the few impediments to the mighty doing whatever they please with the weak. To establish the precedent that national sovereignty is inconsequential is to remove perhaps the major impediment to one nation sending troops, bombers, or missiles into another. Once that is done, there remains only debate over what is warranted, and in the world as we know it such debate is dominated by the most powerful states and their massive media machines, most particularly the U.S. (Military intervention, Richard Falk has reminded us, is like the Mississippi River: it only flows from North to South.) Thus, to deny the validity of national sovereignty is to effectively give the U.S. *carte blanche* to intervene when and where it decides -- which is, of course, from the U.S. perspective, a delightful by-product of the current events.

**14. What is the right way to deal with crises like this? There are two questions: How can we reduce violence and get settlements, and what rights**

## are national minorities entitled to?

Crises inside sovereign nations are complex problems on the international scene. Should Japan bomb Washington out of solidarity with blacks subjected to horrible conditions and violence in our inner cities? Would that improve or worsen the plight of blacks, have ancillary affects that were positive or negative from the point of view of justice and self-determination? The major means of impacting relations ought to be diplomacy, international opinion, and domestic movements. In some instances (as in the case of apartheid in South Africa) these may be rightly augmented with economic sanctions which are supported by the internal opposition. In other instances, however, sanctions can amount to a deadly and immoral weapon, having as their chief consequence huge and criminal casualties among civilians, as in Iraq in recent years. And yes, one can certainly imagine situations where a powerful state or community can and will devastate a minority ethnic group if there is not some form of more powerful intervention – but this does not mean bombing by interested parties not seeking true peace and which will only aggravate crimes and divisions.

Most world problems, including most humanitarian crises, don't call for military solutions, but non-pacifists believe that there are some situations where force is the only option. If that force is wielded by the United States, however, it will be used to further U.S. elite interests rather than any humanitarian objective. Other countries, too, look out for their own elite interests, so the way to minimize the influence of the elite-serving agendas of individual governments is to put a humanitarian military force under democratic international control. International control must mean the UN General Assembly, not the Security Council which is set up in the most undemocratic way imaginable, with five countries (the United States, Russia, Britain, France, and China) having veto power.

Even the General Assembly does not represent real democracy. There's no relation of votes to population, many members states are themselves undemocratic, and even those that are formally democratic are dominated by elites with money. True democratic control of a humanitarian force must await global social change, but in the meantime the General Assembly provides the best approximation.

Thus, in extreme cases, what is needed to prevent human travail is no doubt a true peace-keeping force, under the auspices of the General Assembly of the UN, prepared to stand between combatants and, if necessary, to defend itself and those being abused, to create conditions for negotiations.

What rights are national minorities entitled to? As a basic position, we must support self-determination as a fundamental democratic right. But there are some tough questions. What if a minority wants to secede, but within their territory live other minorities? Such situations have no simple solution, especially if the minority does not live in contiguous territory. What if a minority wishes to leave a country and take with it the bulk of the country's resources or assets, leaving a majority behind bereft of the means to sustain themselves?

A proper policy regarding national minorities requires a flexible mechanism of international law and adjudication, respected by the peoples and nations of the world, with binding powers that all abide, and with priority attention to ensuring that the

powerful do not subjugate or otherwise delimit the options of the weak within or between countries. We are far from having any such mechanism, but U.S. flouting of international law moves us in precisely the wrong direction.

#### 15. What should we demand for the Balkans?

- An end to the bombing.
- Pursue diplomacy, not rejecting out of hand every diplomatic overture (such as the Russian call for talks or Milosevic's offer of a cease-fire).
- An international peace keeping force overseen by the UN General Assembly to stand between the combatants.
- An international system, under the auspices of the General Assembly, to adjudicate and make decisions about the use of peace-keeping forces.
- And an insistence that other atrocities, often perpetrated or abetted or ignored by Washington because they serve U.S. interests, receive the same media visibility and humanitarian attention as the atrocities in Kosovo.

**"Give Peace A Chance: How Long Can NATO Continue Bombing Yugoslavia?"**

by Michael Albert

The Clinton administration's answer so far has been, "as long as it takes" for Serbian President Slobodan Milosevic to capitulate to its demands. It doesn't seem to matter if the bombing only worsens the plight for the Kosovar Albanians, the people we are supposedly trying to help. But there may be limits to what the people who reside within the NATO countries, including this one, are willing to tolerate. This is especially true now that Milosevic has offered to accept an international presence in Kosovo to oversee the return of refugees and their safety. "I think, that as Jesse Jackson would say, give peace a chance here," said Trent Lott, Senate Majority Leader. This has been a war against civilians, on both sides, an ugly truth that gets increasingly difficult to conceal with each set of bombing raids directed at non-military targets. Indeed President Clinton practically admitted as much when he declared that Milosovic's intransigence would cause the "the Serb people he claims to represent [to] face mounting hardship."

The Yugoslav army and paramilitary have terrorized the civilian population of Kosovo for the same reasons that the United States and its proxies did so in Vietnam, El Salvador and Guatemala: they are fighting against a guerrilla army that has support among the population of the contested territory. One way to wage this fight is to "drain the sea from the fish that swim in it," as U.S. counter-insurgency strategists used to say. These barbaric methods are now labeled "ethnic cleansing." On the NATO side, the war is being waged against civilians for somewhat different reasons: NATO's leaders cannot afford to risk their soldiers' lives by engaging Yugoslav forces on the ground, due to lack of support at home. So they have been trying to bomb Yugoslavia "back to the Stone Age" or at least to make it a very poor country for some time to come. They are close to achieving this goal.

For US policy-makers, destroying the Yugoslav economy is an important goal. It demonstrates to the world that any country that refuses to obey U.S. orders will pay an unbearable price. Hence Secretary of Defense William Cohen's response to the release of the three American POW's over the weekend: "We're going to intensify the bombing." But American citizens have been sold on this war as a humanitarian effort to rescue the Kosovars. They do not see the need to punish the people of Yugoslavia, nor do they share their leaders' other strategic aims. For example, the Clinton administration has already used this war to establish NATO's new role as an aggressive international police force, in contrast to its original stated purpose as a defensive alliance during the Cold War. The ever-expanding membership and mission of the new NATO is also a means by which the US can continue to control Europe's foreign and military policies.

Most Americans are not interested in these goals, and certainly wouldn't want all the suffering on both sides of the conflict in Yugoslavia to continue for reasons of power politics. This is the basis for the cracks that are appearing in the political support for the war here, beginning with last week's vote in which the U.S. House of Representatives refused to endorse the bombing. Europe's leaders are mostly willing to accept the hegemonic role of the United States, and the continued violence and suffering that this entails. But there too, the citizenry has different ideas. Anti-Americanism is on the rise in Germany, and on May 13, Germany's Green Party will meet to debate their policy on the war. The Greens will probably ask their leaders why they are supporting the continued bombing of Yugoslavia, while the Republican leadership in the U.S. Congress is now pushing for a negotiated solution to what some are calling "Clinton's war." Twenty-six Democrats also broke ranks last week and voted against the bombing. Many Greens are very angry about their party's collaboration with the war, and if their views prevail, it could conceivably topple the German government (a coalition of the Social Democratic and Green Parties). If the real purpose of the bombing were to secure a safe return and democratic government for Kosovo's Albanians, a settlement might well be reached. So me compromise could be worked out on the differences that remain: primarily the composition of the international peace-keeping force and their weapons. But the Clinton administration has imperial ambitions that carry a much higher priority. So we will need increasing pressure from citizens on both sides of the Atlantic to get President Clinton and his European allies back to the negotiating table.

TUESDAY, APRIL 13, 1999

## EDITORIALS/OPINION

# Why the Generation of 1968 Chose to Go to War

**L**ONDON — We have learnt by bitter experience not to appease dictators. We tried it 60 years ago. It did not work then and it should not be tried now. President Slobodan Milosevic's actions in Kosovo have given rise to scenes of suffering and cruelty people thought were banished from Europe forever.

Europe and the United States must stand firm together.

Mr. Milosevic's policy of ethnic cleansing must be defeated and reversed. President Bill Clinton has shown exactly the right resolve and determination. Once again, our thanks go to him and to the American people for their support in the cause of what is right.

Of course, we will be subject to the usual barrage of criticism, sometimes from people who, I think, find it hard to come to terms with the fact that there is a new generation of leaders in the United States and in Europe, who were born after World War II, who hail from the progressive side of politics, but who are prepared to be as firm as any of our predecessors right or left in seeing this thing through. See it through, we will.

Some argue we waited too long to act. To them I say it was right to give the negotiations every chance. Others argue we should not have acted at all. Of them I ask, what was the alternative? To do nothing would have been to acquiesce in Mr. Milosevic's brutality. It was clear that unless he was stopped, Kosovo would share Bosnia's fate.

The evidence is sobering. The Serbian offensive last year forced over 300,000 people from their homes. Vil-

lages were burned, people massacred. Despite the efforts of the international community, including Russia, Mr. Milosevic rejected diplomacy in Paris this year. Hours later, he let his forces loose in Kosovo. Within days, tens of thousands of people had fled their homes.

Mr. Milosevic was preparing for ethnic cleansing long before a single NATO bomb fell. What has happened was part of a plan to drive hundreds of thousands of ethnic Albanians out of their homes, execute many of their men and torch their villages.

In Bosnia we waited four years before acting decisively. As a result of that conflict, more than 200,000 people lost their lives, and 2 million people were made homeless. The duration of the conflict meant that a million of them were never able to return to their homes. NATO has not made the same mistake in Kosovo. Anyone who has seen the pictures, of the hundreds of thousands of refugees leaving Kosovo, or who has heard the piteous stories of suffering imposed by the Serbian special police and the paramilitary thugs who work with them, knows why we had to act. Now they want to know that we are going to succeed.

Just as I believe there was no alternative to taking action, I am convinced there is no alternative to continuing until we succeed. On its 50th birthday NATO must prevail. We are

fighting for a world where dictators are no longer able to visit horrific punishments on their own people in order to stay in power. It is important the people of Serbia know our quarrel is not with them.

It is with the architects of Kosovo's ethnic cleansing. Just as after World War II, a war-crimes tribunal will bring those responsible to justice.

Our policy in Kosovo is taking its toll on Mr. Milosevic's killing machine. We should not be fooled by his confident of his position, why did he suppress the independent media in Serbia? But we need to be patient. As I said, as Mr. Clinton said, as other world leaders said at the outset of this action, he will not be defeated overnight.

We are also right to be cautious of the notion of a ground intervention force. Of course ground forces will be necessary in Kosovo to give the refugees the confidence to return to their homes in safety. But that is very different from fighting our way in.

While we keep all options under review at all times, that is not our plan. A land invasion would be a massive undertaking and would take time to assemble. The casualties would potentially be large. And the civilian population would be at Mr. Milosevic's mercy. That is why air strikes remain the sensible option in the crisis, intensifying them and adding to their impact.

Mr. Milosevic knows what he has to do to end NATO's air campaign: a verifiable cessation of all combat ac-

tivities and killings; the withdrawal of military, police and paramilitary forces from Kosovo; an international security force; the return of all refugees and unimpeded access for humanitarian aid; and a political framework for Kosovo based on the Rambouillet accord.

We will not stop until he agrees to all of these conditions. The world knows too much of Mr. Milosevic to fall for any of his ploys. The succession of offers from Belgrade show that he is now looking for a way out. He wants to hang on to the results of his ethnic cleansing while protecting his killing machine. But anything short of what I have listed, and there's nothing doing. The air strikes go on.

We should start now planning for the longer term, building on the agreement that was reached at Rambouillet, accepted by the Kosovo Liberation Army, but rejected by Mr. Milosevic. After all their suffering, it is clear that the Kosovar Albanians will never trust Mr. Milosevic to rule Kosovo again. Any political solution must recognize that fact.

Russia has a unique and leading role to play in these efforts.

We need to enter a new millennium where dictators know that they cannot get away with ethnic cleansing or repress their peoples with impunity. We are fighting not for territory but for values. For a new internationalism where the brutal repression of ethnic groups will not be tolerated. For a world where those responsible for such crimes have nowhere to hide.

Newsweek.



## The myth of America's "booming economy"

You cannot escape it. You read it and hear it everywhere. From every news medium, every politician -- the economy is booming ... thriving ... soaring ... the leading economic indicators are looking great ... stock market is going through the roof ... "economy showed signs of continued strength in January as American's personal income rose by a robust .6 percent" ... prosperity everywhere ... the world's richest country ...

But ... but what about ... what about ...

- the working poor, the millions who toil at full-time jobs, yet remain below the official poverty level (an unrealistically low figure to begin with)
- the husbands and wives each having to work full time so together they manage to rise a little above the poverty level
- the millions who surrender 30 to 70 percent of their paycheck for rent
- those living in severely substandard housing
- those on the increasingly long waiting lists for public housing, due to the loss of such units
- the unemployed (the real amount, not the fudged figures announced to the public)
- those who want and need a full-time job, but can only get a part-time job, minus benefits
- those who want and need a permanent job, but can only get a temporary job, minus benefits
- the underemployed -- college graduates and those with advanced degrees working at relatively menial jobs with no connection to their studies
- the more than 43 million without any health insurance
- the even greater number without dental insurance
- the further millions with inadequate health insurance, including those with Medicare and Medicaid
- the elderly who spend half their income for health care and prescriptions
- the elderly who have to choose between prescriptions and food
- the elderly who purchase cat and dog food, but don't own any pets
- the millions with inadequate sick leave or maternity leave, or none at all
- those -- the great majority of employees -- who are lucky to

get two weeks vacation, compared to the European norm of five weeks

- those forced to choose between heat and sufficient food in the winter
- those literally dying in the Southwest on hot summer days because they can't afford an air conditioner or are concerned about their electricity bill
- the homeless
- those one paycheck or one illness or one divorce away from homelessness
- those living five to ten people in a one-bedroom apartment
- the millions who go to bed hungry at least part of every month; (the largest network of food banks, Second Harvest, reported that 26 million people sought help during 1997)
- those frightened by the welfare reform law of 1996 into not applying for food stamps, welfare or Medicaid
- the 1.8 million souls in prisons and jails
- those who want to go to college but can't afford to
- those who go to college at the cost of a huge debt hanging round their neck for years
- the illegal aliens working as semi-slaves in sweatshops
- those living on their credit cards, making only the minimum payments each month, as the exorbitant interest piles up year after year
- the more than 50,000 businesses which file for bankruptcy each year
- the one million 500,000 individuals who file for bankruptcy each year
- the middle-class people who maintain their standard of living by working 50, 60, 70 hours per week, by their choice or their employer's dictate, plus a daily two- or three-hour commute, returning home totally wiped out and overstressed
- those hanging on to jobs they hate, jobs making them sick, only because of the health insurance and pension
- those forced by their employers to pay more and more of their insurance and pension costs
- those living only on social security
- those living only on welfare

Written by William Blum, author of *Killing Hope: U.S. Military and CIA Interventions Since World War II*  
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A companion piece to the above  
Dancing on the electric grid

By Per Fagereng

Picture this standard experiment in psychology: A group of rats is placed on an electric grid and the voltage is slowly increased. After a while the rats feel a burning tingle in their feet. The experimenters up the voltage some more, and watch the rats dance and bite each other.

The experimenters are seeking knowledge, and the rats' pain is presumably worth it. The experimenters don't blame the rats for fighting each other, or punish the more aggressive ones. They know that individuals react to pain in different ways.

Now picture the economic terrain as a different kind of pain grid. Instead of electric shocks, the inhabitants experience job loss, higher prices, less pay, overwork, polluted neighborhoods and so on. Controlling the grid are not psychologists, but CEOs and bankers. Instead of knowledge, they are seeking profit. And so they up the pain, but not because they want to hurt people. They are really trying to up their profits, and the pain is a side effect.

After a while people on the grid do nasty things to each other, everything from domestic violence to immigrant-bashing to crime. Unlike the rats, the people get blamed for their misbehavior. We are told to point our fingers at the victims on the grid, instead of at the economic rulers who keep increasing the pain.

You'd think that the CEOs and bankers would ease up on the pain, but think again. They continue to demand more sacrifice from the poor, knowing full well how they'll react.

Would you call this a big conspiracy? Or the sum of many small conspiracies? Maybe it doesn't matter that much. I'm not a mind reader. The point is, the economic rulers pursue their profits and they know the consequences. So to that extent, they are choosing to inflict pain.

# DISMANTLING FORMER YUGOSLAVIA, RECOLONISING BOSNIA

by Michel Chossudovsky

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As heavily-armed NATO troops enforce the peace in Bosnia, the press and politicians alike portray Western intervention in the former Yugoslavia as a noble, if agonizingly belated, response to an outbreak of ethnic massacres and human rights violations. In the wake of the November 1995 Dayton Peace Accords, the West is eager to touch up its self-portrait as saviour of the Southern Slavs and get on with "the work of rebuilding" the newly sovereign states.

But following a pattern set since the onslaught of the civil war, Western public opinion has been misled. The conventional wisdom, exemplified by the writings of former US Ambassador to Yugoslavia Robert Zimmermann, is that the plight of the Balkans is the outcome of an "aggressive nationalism", the inevitable result of deep-seated ethnic and religious tensions rooted in history.<sup>1</sup> Likewise, much has been made of the "Balkans power-play" and the clash of political personalities: "Tudjman and Milosevic are tearing Bosnia-Herzegovina to pieces".<sup>2</sup>

Drowned in the barrage of images and self-serving analyses are the economic and social causes of the conflict. The deep-seated economic crisis which preceded the civil war has long been forgotten. The strategic interests of Germany and the US in laying the groundwork for the disintegration of Yugoslavia go unmentioned, as does the role of external creditors and international financial institutions. In the eyes of the global media, Western powers bear no responsibility for the impoverishment and destruction of a nation of 24 million people. But through their domination of the global financial system, the Western powers, pursuing their collective and individual "strategic interests" helped from the beginning of the 1980s, bring the Yugoslav economy to its knees, contributing to stirring simmering ethnic and social conflicts. Now, the efforts of the international financial community are channelled towards "helping Yugoslavia's war-ravaged successor states". Yet while the World's attention is focused on troop movements and cease fires, creditors and international financial institutions are busy at work collecting former Yugoslavia's external debt, while transforming the Balkans into a safe-haven for free enterprise.

Adopted in several stages since the early 1980s, the reforms imposed by Belgrade's creditors wreaked economic and political havoc leading to disintegration of the industrial sector and the piece-meal dismantling of the Yugoslav Welfare State. Despite Belgrade's political non-alignment and extensive trading relations with the US and the European Community, the Reagan administration had targeted

the Yugoslav economy in a "Secret Sensitive" 1984 National Security Decision Directive (NSDD 133) entitled "United States Policy towards Yugoslavia". A censored version of this document declassified in 1990 largely conformed to a previous National Security Decision Directive (NSDD 54) on Eastern Europe issued in 1982. Its objectives included "expanded efforts to promote a 'quiet revolution' to overthrow Communist governments and parties"... while reintegrating the countries of Eastern Europe into the orbit of the World market.<sup>3</sup>

Secessionist tendencies feeding on social and ethnic divisions, gained impetus precisely during a period of brutal impoverishment of the Yugoslav population. The first phase of macro-economic reform initiated in 1980 shortly before the death of Marshall Tito "wreaked economic and political havoc... Slower growth, the accumulation of foreign debt and especially the cost of servicing it as well as devaluation led to a fall in the standard of living of the average Yugoslav... The economic crisis threatened political stability ... it also threatened to aggravate simmering ethnic tensions".<sup>4</sup> These reforms accompanied by the signing of debt restructuring agreements with the official and commercial creditors also served to weaken the institutions of the federal State creating political divisions between Belgrade and the governments of the Republics and Autonomous Provinces. "The Prime Minister Milka Planinc, who was supposed to carry out the programme, had to promise the IMF an immediate increase of the discount rates and much more for the Reaganomics arsenal of measures..."<sup>5</sup>

Following the initial phase of macro-economic reform in 1980, industrial growth plummeted to 2.8 percent in the 1980-87 period, plunging to zero in 1987-88 and to -10.6 percent in 1990.<sup>6</sup> The economic reforms reached their climax under the pro-US government of Prime Minister Ante Markovic. In the Autumn of 1989 just prior to the collapse of the Berlin Wall, the federal Premier had travelled to Washington to meet President George Bush. A "financial aid package" had been promised in exchange for sweeping economic reforms including a new devalued currency, the freeze of wages, a drastic curtailment of government expenditure and the abrogation of the socially owned enterprises under self-management.<sup>7</sup> The "economic therapy" (launched in January 1990) contributed to crippling the federal State system. State revenues which should have gone as transfer payments to the republics and autonomous provinces were instead funnelled towards servicing Belgrade's debt with the Paris and London clubs. The republics were largely left to their own devices thereby exacerbating the process of political fracturing. In one fell swoop, the reformers had engineered the demise of the federal fiscal structure and mortally wounded its federal political institutions. The IMF induced budgetary crisis created an economic "fait accompli" which in part paved the way for Croatia's and Slovenia's formal secession in June 1991. The Agreement with the IMF

The economic package was launched in January 1990 under an IMF Stand-by Arrangement (SBA) and a World Bank Structural Adjustment Loan (SAL II). The budget cuts requiring the redirection of federal revenues towards debt servicing, were conducive to the suspension of transfer payments by Belgrade to the governments of the Republics and Autonomous Provinces thereby fuelling the process of political balkanisation and secessionism. The government of Serbia rejected Markovic's austerity programme outright leading to a walk-out protest of some 650,000 Serbian workers directed against the Federal government.<sup>8</sup> The

Trade Union movement was united in this struggle: "worker resistance crossed ethnic lines, as Serbs, Croats, Bosnians and Slovenians mobilised (...) shoulder to shoulder with their fellow workers (...).<sup>9</sup>

### The 1989 Enterprise Reforms

The 1989 enterprise reforms adopted under Premier Ante Markovic played a central role in steering the industrial sector into bankruptcy. By 1990, the annual rate of growth of GDP had collapsed to -7.5 percent.<sup>10</sup> In 1991, GDP declined by a further 15 percent, industrial output collapsed by 21 percent.<sup>11</sup> The restructuring programme demanded by Belgrade's creditors was intended to abrogate the system of socially owned enterprises. The Enterprise Law of 1989 required abolishing the "Basic Organizations of Associated Labour (BAOL)".<sup>12</sup> The latter were socially-owned productive units under self-management with the Workers' Council constituting the main decision making body. The 1989 Enterprise Law required the transformation of the BOALs into private capitalist enterprises with the Worker's Council replaced by a so-called "Social Board" under the control of the enterprise's owners including its creditors.<sup>13</sup> "The objective was to subject the Yugoslav economy to massive privatisation and the dismantling of the public sector. Who was to carry it out? The Communist Party bureaucracy, most notably its military and intelligence sector, was canvassed specifically and offered political and economic backing on the condition that wholesale scuttling of social protections for Yugoslavia's workforce was imposed...".<sup>14</sup>

### Overhauling The Legal Framework

A number of supporting pieces of legislation were put in place in a hurry with the assistance of Western lawyers and consultants. A new Banking Law was enacted with a view to triggering the liquidation of the socially owned "Associated Banks". More than half the country's banks were dismantled, the emphasis was on the formation of "independent profit oriented institutions".<sup>15</sup> By 1990, the entire "three-tier banking system" consisting of the National Bank of Yugoslavia, the national banks of the eight Republics and autonomous provinces and the commercial banks had been dismantled under the guidance of the World Bank.<sup>16</sup> A World Bank Financial Sector Adjustment Loan was being negotiated in 1990. It was to be adopted by the Belgrade government in 1991...

### The Bankruptcy Programme

Industrial enterprises had been carefully categorised. Under the IMF-World Bank sponsored reforms, credit to the industrial sector had been frozen with a view to speeding up the bankruptcy process. So-called "exit mechanisms" had been established under the provisions of the 1989 Financial Operations Act.<sup>17</sup> The latter stipulated that if an enterprise were to remain insolvent for 30 days running, or for 30 days within a 45 day period, it must hold a meeting within the next 15 days with its creditors in view of arriving at a settlement. This mechanism allowed creditors (including national and foreign banks) to routinely convert their loans into a controlling equity in the insolvent enterprise. Under the Act, the government was not authorised to intervene. In case a settlement was not reached, bankruptcy procedures would be initiated in which case workers would not normally receive

severance payments.18

In 1989, according to official sources, 248 firms were steered into bankruptcy or were liquidated and 89,400 workers had been laid off.<sup>19</sup> During the first nine months of 1990 directly following the adoption of the IMF programme, another 889 enterprises with a combined work-force of 525,000 workers were subjected to bankruptcy procedures.<sup>20</sup> In other words, in less than two years "the trigger mechanism" (under the Financial Operations Act) had led to the lay off of more than 600,000 workers (out of a total industrial workforce of the order of 2.7 million). The largest concentrations of bankrupt firms and lay-offs were in Serbia, Bosnia-Herzegovina, Macedonia and Kosovo.<sup>21</sup>

Many socially owned enterprises attempted to avoid bankruptcy through the non payment of wages. Half a million workers representing some 20 percent of the industrial labour force were not paid during the early months of 1990, in order to meet the demands of creditors under the "settlement" procedures stipulated in the Law on Financial Organisations. Real earnings were in a free fall, social programmes had collapsed, with the bankruptcies of industrial enterprises, unemployment had become rampant, creating within the population an atmosphere of social despair and hopelessness. "When Mr. Markovic finally started his "programmed privatisation", the republican oligarchies, who all had visions of a "national renaissance" of their own, instead of choosing between a genuine Yugoslav market and hyperinflation, opted for war which would disguise the real causes of the economic catastrophe".<sup>22</sup>

The January 1990 IMF sponsored package contributed unequivocally to increasing enterprise losses while precipitating many of the large electric, petroleum refinery, machinery, engineering and chemical enterprises into bankruptcy. Moreover, with the deregulation of the trade regime in January 1990, a flood of imported commodities contributed to further destabilising domestic production. These imports were financed with borrowed money granted under the IMF package (ie. the various "quick disbursing loans" granted by the IMF, the World Bank and bilateral donors in support of the economic reforms). While the import bonanza was fuelling the build-up of Yugoslavia's external debt, the abrupt hikes in interest rates and input prices imposed on national enterprises had expedited the displacement and exclusion of domestic producers from their own national market.

#### "Shedding Surplus Workers"

The situation prevailing in the months preceding the Secession of Croatia and Slovenia (June 1991) (confirmed by the 1989-90 bankruptcy figures) points to the sheer magnitude and brutality of the process of industrial dismantling. The figures, however, provide but a partial picture, depicting the situation at the outset of the "bankruptcy programme". The latter has continued unabated throughout the period of the civil War and its aftermath... Similar industrial restructuring programmes were imposed by external creditors on Yugoslavia's successor states.

The World Bank had estimated that there were still in September 1990, 2,435 "loss-making" enterprises out of a remaining total of 7,531.<sup>23</sup> In other words, these 2,435 firms with a combined work-force of more than 1,3 million workers had been

categorised as "insolvent" under the provisions of the Financial Operations Act, requiring the immediate implementation of bankruptcy procedures. Bearing in mind that 600,000 workers had already been laid off by bankrupt firms prior to September 1990, these figures suggest that some 1.9 million workers (out of a total of 2.7 million) had been classified as "redundant". The "insolvent" firms concentrated in the Energy, Heavy Industry, Metal processing, Forestry and Textiles sectors were among the largest industrial enterprises in the country representing (in September 1990) 49.7 percent of the total (remaining and employed) industrial work-force.<sup>24</sup>

### Political Disintegration

Supporting broad strategic interests, the austerity measures had laid the basis for "the recolonisation" of the Balkans. In the multi-party elections in 1990, economic policy was at the centre of the political debate, the separatist coalitions ousted the Communists in Croatia, Bosnia-Herzegovina and Slovenia.

Following the decisive victory in Croatia of the rightist Democratic Union in May 1990 under the leadership of Franjo Tudjman, the separation of Croatia received the formal assent of the German Foreign Minister Mr. Hans Dietrich Genscher who was in almost daily contact with his Croatian counterpart in Zagreb.<sup>25</sup> Germany not only favoured secession, it was also "forcing the pace of international diplomacy" and pressuring its Western allies to grant recognition to Slovenia and Croatia. The borders of Yugoslavia are reminiscent of World War II when Croatia (including the territories of Bosnia-Herzegovina) was an Axis satellite under the fascist Ustasa regime: "German expansion has been accompanied by a rising tide of nationalism and xenophobia... Germany has been seeking a free hand among its allies to pursue economic dominance in the whole of Mitteleuropa..."<sup>26</sup> Washington on the other hand, favoured "a loose unity while encouraging democratic development... [the US Secretary of State] Baker told [Croatia's President] Franjo Tudjman and [Slovenia's President] Milan Kucan that the United States would not encourage or support unilateral secession... but if they had to leave, he urged them to leave by a negotiated agreement"... <sup>27</sup>

### Post-War Reconstruction

The economic reforms now being imposed on the "successor states" are a natural extension and continuation of those previously implemented in federal Yugoslavia. In the tragic aftermath of a brutal and destructive War, the prospects for rebuilding the newly independent republics appear bleak. Despite a virtual press blackout on the subject, debt rescheduling is an integral part of the peace process. The former Yugoslavia has been carved up under the close scrutiny of its external creditors, its foreign debt has been carefully divided and allocated to the republics. The privatisation programmes implemented under the supervision of the donors, have contributed to a further stage of economic dislocation and impoverishment of the population. GDP had declined by as much as 50 percent in four years (1990-93).<sup>28</sup>

Moreover, the leaders of the newly sovereign states have fully collaborated with the creditors: "All the current leaders of the former Yugoslav republics were Communist Party functionaries and each in turn vied to meet the demands of the



World Bank and the International Monetary Fund, the better to qualify for investment loans and substantial perks for the leadership... State industry and machinery were looted by functionaries. Equipment showed up in "private companies" run by family members of the nomenklatura".29

Even as the fighting raged, Croatia, Slovenia and Macedonia had entered into separate loan negotiations with the Bretton Woods institutions. In Croatia, the government of President Franjo Tudjman signed in 1993, an agreement with the IMF. Massive budget cuts mandated under the agreement thwarted Croatia's efforts to mobilize its own productive resources, thus jeopardizing post-war reconstruction. The cost of rebuilding Croatia's war-torn economy was estimated at some \$23 billion, requiring an influx of fresh foreign loans. In the absence of "debt forgiveness", Zagreb's debt burden will be fuelled well into the 21st Century.

In return for foreign loans, the government of President Franjo Tudjman had agreed to reform measures conducive to further plant closures and bankruptcies, driving wages to abysmally low levels. The official unemployment rate increased from 15.5 percent in 1991 to 19.1 percent in 1994.30

Zagreb has also instituted a far more stringent bankruptcy law, together with procedures for "the dismemberment" of large state-owned public utility companies. According to its "Letter of Intent" to the Bretton Woods institutions, the Croatian government had promised to restructure and fully privatize the banking sector with the assistance of the European Bank for Reconstruction and Development (EBRD) and the World Bank. The latter have also demanded a Croatian capital market structured to heighten the penetration of Western institutional investors and brokerage firms. Under the agreement signed in 1993 with the IMF, the Zagreb government was not permitted to mobilise its own productive resources through fiscal and monetary policy. The latter were firmly under the control of its external creditors. The massive budget cuts demanded under the agreement had forestalled the possibility of post-war reconstruction. The latter could only be carried out through the granting of fresh foreign loans, a process which would fuel Croatia's external debt well into the 21st Century. The cost of rebuilding Croatia's war-torn economy was estimated at some 23 billion dollars...

Macedonia has also followed a similar economic path. In December 1993, the Skopje government agreed to compress real wages and freeze credit in order to obtain a loan under the IMF's Systemic Transformation Facility (STF). In an unusual twist, multi-billionaire business tycoon George Soros participated in the International Support Group composed of the government of the Netherlands and the Basel-based Bank of International Settlements. The money provided by the Support Group, however, was not intended for "reconstruction" but rather to enable Skopje to pay back debt arrears owed the World Bank...31

Moreover, in return for debt rescheduling, the government of Macedonian Prime Minister Branko Crvenkovski had to agree to the liquidation of remaining "insolvent" enterprises and the lay off of "redundant" workers--which included the employees of half the industrial enterprises in the country. As Deputy Finance Minister Hari Kostov soberly noted, with interest rates at astronomical levels because of donor-sponsored banking reforms, "it was literally impossible to find a company in

the country which would be able to (...) to cover [its] costs (...).<sup>32</sup>

Overall, the IMF economic therapy for Macedonia constitutes a continuation of the "bankruptcy programme" launched in 1989 under federal Yugoslavia. The most profitable assets are now on sale on the year-old Macedonian stock market, but this auction of socially owned enterprises has led to industrial collapse and rampant unemployment. Yet despite the decimation of the economy and the disintegration of schools and health centres under the austerity measures, Finance Minister Ljube Trpevski proudly informed the press that "the World Bank and the IMF place Macedonia among the most successful countries in regard to current transition reforms". The head of the IMF mission to Macedonia, Mr. Paul Thomsen, concurs that "the results of the stabilization program [under the STF] were impressive" giving particular credit and appreciation to "the efficient wages policy" adopted by the Skopje government.<sup>33</sup>

#### Rebuilding Bosnia and Herzegovina

With a Bosnian peace settlement apparently holding under NATO guns, the West has unveiled a "reconstruction" programme which fully strips Bosnia-Herzegovina of its economic and political sovereignty. This programme largely consists in developing Bosnia-Herzegovina as a divided territory under NATO military occupation and Western administration.

Resting on the November 1995 Dayton accords, the US and the European Union have installed a full-fledged colonial administration in Bosnia. At its head is their appointed High Representative (HR) Mr. Carl Bildt, a former Swedish Prime Minister and European Representative in the Bosnian Peace negotiations. The HR has full executive powers in all civilian matters, with the right to overrule the governments of both the Bosnian Federation and the Bosnian-Serb Republika Srpska. The HR is to act in close liaison with the IFOR Military High Command as well with donors agencies.

An international civilian police force is under the custody of an expatriate Commissioner appointed by the United Nations Secretary General Mr. Boutros Boutros Ghali, some 1,700 policemen from fifteen countries most of whom have never set foot in the Balkans, were dispatched to Bosnia after a five days training programme in Zagreb.

While the West has underscored its support to democracy, the Parliamentary Assembly set up under the "Constitution" finalised under the Dayton Accords, largely acts as a "rubber stamp". Behind the democratic facade, actual political power rests in the hands of a "parallel government" headed by the High Representative and staffed by expatriate advisors.

Moreover, the Constitution agreed in Dayton hands over the reins of economic policy to the Bretton Woods institutions and the London based European Bank for Reconstruction and Development (EBRD). Article VII stipulates that the first Governor of the Central Bank of Bosnia and Herzegovina is to be appointed by the IMF and "shall not be a citizen of Bosnia and Herzegovina or a neighbouring State..."

Just as the Governor of the Central Bank is an IMF appointee, the Central Bank will not be allowed under the Constitution to function as a Central Bank: "For the first six years (...) it may not extend credit by creating money, operating in this respect as a currency board" (Article VII). Neither will the new "sovereign" successor State be allowed to have its own currency (issuing paper money only when there is full foreign exchange backing), nor permitted to mobilise its internal resources. As in the other successor republics, its ability to self-finance its reconstruction (without massively increasing its external debt) is blunted from the outset...

The tasks of managing the Bosnian economy have been carefully divided among donor agencies: while the Central Bank is under IMF custody, the European Bank for Reconstruction and Development (EBRD) heads the Commission on Public Corporations which supervises operations of all public sector enterprises including energy, water, postal services, roads, railways, etc. The President of the EBRD appoints the Chairman of the Commission which also oversees public sector restructuring, meaning primarily the sell-off of State and socially owned assets and the procurement of long term investment funds.

One cannot sidestep a fundamental question: is the Bosnian Constitution formally agreed between heads of State at Dayton really a constitution? A sombre and dangerous precedent has been set in the history of international relations: Western creditors have embedded their interests in a Constitution hastily written on their behalf, executive positions within the Bosnian State system are to be held by non-citizens who are appointees of Western financial institutions. No constitutional assembly, no consultations with citizens' organisations in Bosnia and Herzegovina, no "constitutional amendments"...

The Bosnian government estimates that reconstruction costs will reach \$47 billion. Western donors have pledged \$3 billion in reconstruction loans, yet only a meagre \$518 million dollars were granted in December 1995, part of which is tagged (under the terms of the Dayton Peace Accords) to finance some of the local civilian costs of the Implementation Force's (IFOR) military deployment as well as repay debt arrears with international creditors.

In a familiar twist, "fresh loans" have been devised to pay back "old debt". The Central Bank of the Netherlands has generously provided "bridge financing" of 37 million dollars. The money, however, is earmarked to allow Bosnia to pay back its arrears with the IMF, a condition without which the IMF will not lend it fresh money...<sup>35</sup> But it is a cruel and absurd paradox: the sought after loan from the IMF's newly created "Emergency Window" for so-called "post-conflict countries" will not be used for post-war reconstruction. Instead it will be applied to reimburse the Central Bank of the Netherlands which had coughed up the money to settle IMF arrears in the first place... While debt is building up, no new financial resources are flowing into Bosnia to rebuild its war-torn economy...

Multinationals have an Eye on Bosnia's Oil Fields

Western governments and corporations show greater interest in gaining access to

potential strategic natural resources than committing resources for rebuilding Bosnia. Documents in the hands of Croatia and the Bosnian Serbs indicate that coal and oil deposits have been identified on the eastern slope of the Dinarides Thrust, a region retaken from rebel Bosnian Krajina Serbs by the Croatian army in the final offensives before the Dayton Peace accords. Bosnian officials report that Chicago-based Amoco was among several foreign firms that subsequently initiated exploratory surveys in Bosnia. The West is anxious to develop these regions: "The World Bank --and the multinationals that conducted operations-- are [August 1995] reluctant to divulge their latest exploration reports to the combatant governments while the war continues" ...<sup>36</sup> Moreover, there are also "substantial petroleum fields in the Serb-held part of Croatia just across the Sava river from the Tuzla region".<sup>37</sup> The latter under the Dayton Agreement, is part of the US Military Division with headquarters in Tuzla.

The territorial partition of Bosnia between the Federation of Bosnia-Herzegovina and the Bosnian-Serb Republika Srpska under the Dayton Accords thus takes on strategic importance, the 60,000 NATO troops on hand to "enforce the peace" will administer the territorial partition of Bosnia-Herzegovina in accordance with Western economic interests.

National sovereignty is derogated, the future of Bosnia will be decided upon in Washington, Bonn and Brussels rather than in Sarajevo... The process of "reconstruction" based on debt rescheduling is more likely to plunge Bosnia-Herzegovina (as well as the other remnant republics of former Yugoslavia) into the status of a Third World country.

While local leaders and Western interests share the spoils of the former Yugoslav economy, the fragmentation of the national territory and the entrenching of socio-ethnic divisions in the structure of partition serve as a bulwark blocking a united resistance of Yugoslavs of all ethnic origins against the recolonization of their homeland.

#### Concluding Remarks

Macro-economic restructuring applied in Yugoslavia under the neoliberal policy agenda has unequivocally contributed to the destruction of an entire country. Yet since the onset of war in 1991, the central role of macro-economic reform has been carefully overlooked and denied by the global media. The "free market" has been presented as the solution, the basis for rebuilding a war-shattered economy. A detailed diary of the war and of the "peace-making" process has been presented by the mainstream press. The social and political impact of economic restructuring in Yugoslavia has been carefully erased from our social consciousness and collective understanding of "what actually happened". Cultural, ethnic and religious divisions are highlighted, presented dogmatically as the sole cause of the crisis when in reality they are the consequence of a much deeper process of economic and political fracturing.

This "false consciousness" has invaded all spheres of critical debate and discussion. It not only masks the truth, it also prevents us from acknowledging precise historical occurrences. Ultimately it distorts the true sources of social

conflict. The unity, solidarity and identity of the Southern Slavs have their foundation in history, yet this identity has been thwarted, manipulated and destroyed.

The ruin of an economic system, including the take-over of productive assets, the extension of markets and "the scramble for territory" in the Balkans constitute the real cause of conflict. What is at stake in Yugoslavia are the lives of millions of people. Macro-economic reform destroys their livelihood, derogates their right to work, their food and shelter, their culture and national identity... Borders are redefined, the entire legal system is overhauled, the socially owned enterprises are steered into bankruptcy, the financial and banking system is dismantled, social programmes and institutions are torn down... In retrospect, it is worth recalling Yugoslavia's economic and social achievements in the post-war period (prior to 1980): the growth of GDP was on average 6.1 per annum over a twenty year period (1960-1980), there was free medical care with one doctor per 550 population, the literacy rate was of the order of 91 percent, life expectancy was 72 years...<sup>37</sup>

Yugoslavia is a "mirror" of similar economic restructuring programmes applied not only in the developing World but also in recent years in the US, Canada and Western Europe... "Strong economic medicine" is the answer, throughout the World, people are led to believe that there is no other solution: enterprises must be closed down, workers must be laid off and social programmes must be slashed... It is in the foregoing context that the economic crisis in Yugoslavia should be understood. Pushed to the extreme, the reforms in Yugoslavia are the cruel reflection of a destructive "economic model" imposed under the neoliberal agenda on national societies throughout the World...

#### ENDNOTES,

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6. World Bank, *Industrial Restructuring Study, Overview, Issues and Strategy for Restructuring*, Washington DC, June 1991, p. 10 and 14.

7. Sean Gervasi, op cit.,
8. Ibid.
9. Ralph Schoenman, "Divide and Rule Schemes in The Balkans", The Organiser, 11 September 1995.
10. World Bank, op cit., p. 10. The term GDP is used for simplicity, yet the concept used in Yugoslavia and Eastern Europe to measure national product is not equivalent to the GDP concept under the (Western) system of national accounts.
11. See Judit Kiss, Debt Management in Eastern Europe, Eastern European Economics, May-June 1994, p. 59.
12. World Bank, op cit
13. Ibid, p. viii.
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15. For further details see World Bank, Yugoslavia, Industrial Restructuring, p. 38.
16. Ibid., p. 38.
17. Ibid., p. 33.
18. Ibid., p. 33
19. Ibid, p. 34. Data of the Federal Secretariat for Industry and Energy, Of the total number of firms, 222 went bankrupt and 26 were liquidated.
20. Ibid., p. 33. These figures include bankruptcy and liquidation.
21. Ibid, p. 34.
22. Dimitrije Boarov, op. cit.
- 23 World Bank, Industrial Restructuring p. 13. Annex 1, p. 1.
24. "Surplus labour" in industry had been assessed by the World Bank mission to be of the order of 20 percent of the total labour force of 8.9 million, --ie. approximately 1.8 million. This figure seems, however, to grossly underestimate the actual number of redundant workers based on the categorisation of "insolvent" enterprises. Solely in the industrial sector, there were 1.9 million workers (September 1990) out of 2.7 million employed in enterprises classified as insolvent. See World Bank, Yugoslavia, Industrial Restructuring, Annex 1.
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## EDITORIALS/OPINION

## The Air Campaign Remains the Right Thing to Do

By Madeleine K. Albright and Robin Cook

The writers are the U.S. secretary of state and the British foreign secretary.

WASHINGTON — On March 24, we and our NATO allies initiated a campaign in response to ethnic cleansing in Kosovo because it was the right thing to do. Continuing that campaign is still the right thing to do. The brutality of Yugoslav President Slobodan Milosevic has made us even more determined than when we started.

We will not stop until we have prevailed — until we have created the conditions under which the ethnic cleansing of Kosovo can be reversed. On that simple point there is unity between us.

It is easy to see why some people might get so caught up in the details of both conflict and diplomacy that they forget why we are fighting. It is time for a reminder of what this is all about.

We are fighting to get the refugees home, safe under our protection. Their homes have been destroyed, their villages burned, their lives ruined by a regime determined to achieve ethnic purity and prepared to use cruel and violent means to achieve it. More than a million Albanian Kosovars have lost their homes, hundred of thousands have become refugees and tens of thousands have disappeared.

It is hard to believe that in a corner of Europe so important to our interests, near the turn of the 21st century, we can be seeing the same scenes that so scared us half a century ago. The systematic rapes, the mass graves, the large-scale deportations by train — these were sights we were meant to have banished for good. Yet we have heard too many accounts from the refugees who have made it across the border to be

in any doubt about what is going on.

The refugees must go home to a Kosovo made safe by an international security presence, with NATO at its core. On that point, there is no room for negotiation. We will carry on attacking Mr. Milosevic's military machine until he yields.

We have already destroyed a brigade's worth of his tanks, heavy armor and military infrastructure in Kosovo. We have cut his supply routes into Kosovo, taken out his communications, disabled his air defenses and choked his fuel supplies. Thanks to the onset of better weather, we are now attacking his fielded forces in Kosovo 24 hours a day from all directions. As a result, those forces are now spending less and less time inflicting violence on others and more and more looking after their own survival.

Many in Serbia have already got the message as to where this campaign is leading. Mr. Milosevic's own soldiers are deserting at the rate of hundreds a week. His people are ignoring his call to fight in a conflict that they do not want and know they cannot win. Some of his colleagues in government are urging him to accept the principles that we agreed on with Russia as the basis for a settlement. His neighbors are uniting in condemnation. Mr. Milosevic is thoroughly isolated from the international community and is beginning to find himself isolated at home.

For all his desperate bravado and

state media propaganda, our military campaign is working. We are doing his killing machine more damage than he dares let the world see on television — he wants the damage out of sight and out of mind. We have the shared resolve to see it through. That does not just mean keeping our nerve when things go well. It also means standing firm when our will is tested.

Some people argue as if Mr. Milosevic could be opposed militarily through a campaign of "immaculate coercion," in which no mistakes were made and no innocent casualties occurred. But that is not the nature of conflict. NATO has gone to extreme lengths to avoid civilians, and to attack military targets. But with thousands of missions being flown every week, perfection is unattainable.

There have been perhaps hundreds of innocent casualties as a result of NATO action, including the victims of the mistaken bombing of the Chinese Embassy. We deeply regret that. We have been open about our mistakes, and at each stage we have reviewed our procedures to try to eliminate the possibility that we might repeat them. But in a conflict as intense as this, it is impossible to eliminate such casualties.

The contrast with Mr. Milosevic could not be clearer. Far from being a source of regret, the hundreds of thousands of civilian victims of his ethnic cleansing are the very outcome that his bloody and brutal program was de-

signed to achieve. He has shown that he will not stop until he is forced to do so.

To put pressure on Mr. Milosevic to reverse course, our military campaign is backed by vigorous diplomacy. Already we have reached broad agreement in the Group of Eight forum with Russia on the principles for a peaceful settlement, and our diplomats are hard at work narrowing the remaining gaps and fleshing out the details of an agreement and its implementation.

We are pursuing a settlement under which Mr. Milosevic would withdraw his forces and allow the deployment of an international security force, with NATO at its core, thus enabling the refugees to return in safety. We remain supportive of the political framework negotiated at Rambouillet under which the Kosovars would enjoy genuine self-government, and the territorial integrity of the Federal Republic of Yugoslavia would be preserved.

These are the terms of a fair settlement. If Mr. Milosevic accepted and began to implement them immediately, the NATO air campaign could end immediately. Certainly the alternative for him looks grim — a future in which his military has been destroyed and his repressive police apparatus crippled, in which he has more and more to answer for to his people.

For our part, the United States and the United Kingdom, together with our NATO allies, are determined to persist in our efforts until Mr. Milosevic reverses course and the people of Kosovo are able to return, reunite and begin, with our help, to rebuild.

The Washington Post.



# The "Diplomatic Scene," in brief, as of May 8

Michael Albert prepared from material made available by Noam Chomsky

(I): The Rambouillet accords of March were presented to Milosovic as a take-it-or-get bombed ultimatum. This was not a legitimate exercise in diplomacy, of course, at least for those few in the West who join the great majority of people in the world in accepting that constraints on the use of violence by the powerful are important. Still, it is part of the "diplomatic scene," such as it is, and so we begin with Rambouillet.

Rambouillet called for military occupation of Kosovo by NATO, and effective military occupation of the rest of the Federal Republic of Yugoslavia (FYR), at NATO's will. The terms for the occupation are set out in Appendix B: Status of Multi-National Military Implementation Force. One crucial paragraph reads:

NATO personnel shall enjoy, together with their vehicles, vessels, aircraft, and equipment, free and unrestricted passage and unimpeded access throughout the FRY including associated airspace and territorial waters. This shall include, but not be limited to, the right of bivouac, maneuver, billet, and utilization of any areas or facilities as required for support, training, and operations.

The remainder of the Appendix spells out the demand that NATO forces and whoever they employ can do as they wish throughout the territory of the FYR, without any obligations or concern for the laws of the country or jurisdiction of its authorities, though the latter are required to follow any NATO orders "on a priority basis and with all appropriate means."

The text has apparently not been published in mainstream U.S. media. The wording apparently was designed to guarantee rejection. Would any country even consider such terms, except in the form of unconditional surrender?

(II): The Serbian National Assembly responded to the US/NATO ultimatum on March 23 (one day before the bombing). The Assembly's Resolution rejected the demand for military occupation, and called on the Organization for Security and Cooperation in Europe and the U.N. to facilitate a peaceful diplomatic settlement. Specifically, "We also condemn a withdrawal of the OSCE Kosovo Verification Mission. There is not a single reason for this but to put the withdrawal into the service of blackmails and threats to our country." The withdrawal of the international OSCE observers had just been ordered by the U.S., in preparation for the bombing after the (apparently intended) FYR rejection of the Rambouillet ultimatum.

The Assembly Resolution further calls for negotiations leading "toward the reaching of a political agreement on a wide-ranging autonomy for Kosovo and Metohija [the official name for the province], with the securing of a full equality of all citizens and ethnic communities and with respect for the sovereignty and territorial integrity of the Republic of Serbia and the Federal Republic of Yugoslavia." Further:

The Serbian Parliament does not accept presence of foreign military troops in Kosovo and Metohia. The Serbian Parliament is ready to review the size and

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character of the international presence in Kosmet [Kosovo/Metohija] for carrying out the reached accord, immediately upon signing the political accord on the self-rule agreed and accepted by the representatives of all national communities living in Kosovo and Metohia.

The essentials of the March 23 Resolution were reported on major wire services (French, German, UPI, AP) and therefore were certainly known to every newsroom and every journalist who wished to be informed. Several database searches have found no mention in the mainstream press, however, apart from a few midwestern journals, notably the *Detroit Free Press*. The absence of major media coverage tells quite a lot about what counts as "news."

At a March 24 State Department press briefing, spokesperson James Rubin was asked about the Serbian Assembly resolution, particularly its reference to an "international presence." Mr. Rubin evaded the question, saying only that "I'm not aware that anybody in this building regarded it as a silver lining." He apparently didn't know what "it" was -- apparently "it" was too insignificant to think about, particularly if the whole farce was just an attempt to get the bombers flying.

This part of Rubin's press briefing was also apparently not reported. Nor was there any report, to my knowledge, of the FAIR Action Alert of April 14, 1999 (distributed to the major press), reporting the press briefing.

In the following weeks, bits and pieces of the Serb Assembly Resolution dribbled out in the press (Erlanger, *NYT*, April 8 being the first in the mainstream), sometimes inaccurately, typically buried in some other context.

(III): On April 22, a highly-publicized meeting took place between Milosevic and Washington's favorite Russian, Viktor Chernomyrdin. It was reported, with headlines like "Russian Ends Peace Visit: Slight Signs of Progress" (*NY Times*); "US, Britain reject Serb offer for UN Kosovo role" (*Globe*). Chernomyrdin announced that "Mr. Milosevic had agreed to an 'international presence in Kosovo under United Nations auspices,' to implement any political settlement" (*NYT*); he "had agreed in principle to 'the possibility of an international presence led by the UN' if NATO calls off its five-week air campaign" (*Globe*). The press reported that "US and NATO officials saw little more in Milosevic's apparently agreement with Chernomyrdin...than the first signs of hope that the Yugoslav president's defiance may be dissolving amid the NATO assault," but that this might be another of his "feigned peace overtures." The U.S. and UK instantly rejected the proposal, stepping up the bombing of civilian targets (TV was knocked off that day) and insisting "on an armed "international security force" with NATO troops as its core, so that Chernomyrdin's "progress" is not sufficient to end the bombing (*NYT*).

At a news conference, Clinton responded by saying that "If there is an offer for a genuine security force that's the first time Mr. Milosevic has done that, and that represents, I suppose, some step forward."

In other words, on April 22, Milosevic reiterated the proposal of the Serbian National Assembly of March 23, this time in a way that was impossible to suppress: namely, via the Russian envoy who is the West's favorite emissary of Russian communications. Since the earlier March 23 proposal with the same content had been efficiently suppressed, however, it was possible to present the reiteration of it as a sign that violence works and Milosevic's "defiance" is crumbling, even though, in fact, it was simply a reiteration of the prior terms.

On May 1 the press reported another Chernomyrdin-Milosevic meeting under the headline "After Seeing Milosovic, Russian Hints at Progress" (Steven Erlanger, *NYT*). The "hint" was again Milosevic's reiteration of the March 23 offer (as Erlanger, reporting from Belgrade, was able to sneak into his story, sufficiently deep so that it could pass unobserved -- he evidently knows the facts).

The same day the *Times* also published a UPI interview with Milosevic (April 30) in which he called for a "political process" and said that "The U.N. can have a huge mission in Kosovo if it wishes," a "U.N. peacekeeping force" with "self-defense weapons," but not "an occupation" of the sort demanded in the "Clinton Administration diktat" at Rambouillet: 28,000 troops occupying Kosovo with heavy equipment. Milosevic also called for reduction of the Yugoslav forces to the pre-bombing level of 10-11,000, "return of all refugees, regardless of their ethnic or religious affiliation," "free access for United Nations High Commissioner for Refugees and the International Red Cross," and continuing negotiations for "the widest possible autonomy for Kosovo within Serbia."

Quoting the last phrase, the *NYT* report said that he was "borrowing language from the proposed Rambouillet accords." More accurately, Milosevic was "borrowing language" from the March 23 National Assembly Resolution that the *Times* (and its colleagues) refused to report -- then or since. In fact, the April 30 proposals are within the framework of the (Western-suppressed) March 23 proposals, with some further detail.

(IV): The next major phase of the drama/farce is May 7, when the press reported with great enthusiasm the official statement of the Group of Eight (G-7 + Russia). Their May 6 statement again repeated the essentials of the Serb National Assembly March 23 proposal. It called for an end to violence and repression, withdrawal of (unspecified) "military, police and paramilitary forces," "Deployment in Kosovo of effective international civil and security presences, endorsed and adopted by the United Nations," "a political process toward the establishment of an interim political framework agreement providing for a substantial self-government for Kosovo, taking full account of the Rambouillet accords and the principles of sovereignty and territorial integrity of the Federal Republic of Yugoslavia and other countries of the region," and the demilitarization of the U.C.K. [KLA]. The only modification of the March 23 Serb Parliament proposal was the call for "Establishment of an interim administration for Kosovo to be decided by the Security Council of the United Nations....," which had previously been barred from any role by Washington.

At the level of the words offered, Washington's effective acceptance of the March 23 Serb proposals in the G-8 proposal was portrayed as a great victory for the U.S., the UK, and their resort to violence. The lead headline in the *Times* read: "Russia in Accord on Need for Force to Patrol Kosovo." Two stories followed. One opened by saying that "The Clinton Administration...managed to get the Russians on its side today." The second opened: "The West and Russia agreed for the first time today on the need for an international military presence in Kosovo to keep any eventual peace." "The accord also intensifies pressure on" Milosevic, who is now isolated, with the Russians having come "on board." In the *Boston Globe*, veteran correspondent John Yemma (maybe now an editor) reported that the great achievement "was to bring Russia over to the NATO position," though "before the bombing stops, Yugoslav leader Slobodan Milosevic will have to accept the G-8 plan, at least in principle" -- that is, the plan that in essence he put forth on March 23 and elaborated since. The news stories also recognized that although the Russians are now "on board," the official G8 statement still "finessed several of their [NATO's] key demands," in particular, the demand that the force be effectively under US/NATO command, with the UN in some meaningless nominal role.

So what did happen? More than likely meetings were held whose real point was for the Russians to communicate to the world that they weren't going to escalate their disagreements with the U.S. over Kosovo into a renewed more generalized conflict (they have "come on board"). The G-8 statements that resulted to convey that fact in a way designed to permit Russia to save face, either mean, if taken at face value, virtual agreement with the Yugoslav March 23 terms which would suggest possible diplomatic settlement or they mean a continuation of Rambouillet (and proposed NATO/U.S. occupation, etc.) and likely continued war. The vagueness permitted the Russians to sign and to discuss the terms as if they mean the former (respecting Russian wishes), and it permitted people like Albright and others to discuss them and interpret them as if they mean the latter. In other words the official U.S. line is still that the G8 statement, which doesn't even mention NATO, means that Rambouillet is reinstated. The words seem to imply something else only because everyone at the table was polite enough to leave out the true meaning so as not to embarrass the Russians, and to allow them to come "on board." Milosevic, presumably, listens to not Russia's reading or hopes, of face saving rhetoric, but to Albright's doctrines to know what U.S. policy is.

(V): In brief, the differences as far as we can tell from available reports appear to remain about as they were on March 23, except that the U.S. has now accepted the basic outline of the Serb Assembly proposal – on paper that is, in the G-8 statement. In fact, however, in all other pronouncements it rejects the terms of its own official (G-8) statement. (Also conceded is that the KLA rejects the demand that they disarm.)

The basic point of U.S. rejection (or if you prefer, interpretation) of its own G-8 proposal was clarified by State Department spokesperson James Rubin (NYT, May 8). He "stressed that there would be no United Nations involvement in the actual military operation": "Nobody in the United States or any of the NATO countries envisages the United Nations Secretariat and the blue-helmet peacekeeping unit to play any role in the peacekeeping force," Mr. Rubin said. "This would be a situation where the United Nations Security Council, acting on behalf of the world, would authorize member states to put together a force." Presumably, as is usual with U.S. policy, if "the world" doesn't like it, then too bad for the world.

That seems to be the essence of it, as of May 8, which is to say nothing much has changed after the U.S. chose violence over diplomacy on March 24, apart from the human consequences which are of course of little concern to the masters and easily attributed by their servants to genocidal Serbs, and apart from the slowly growing resistance to the war in many quarters, which is far more consequential to the masters and which, if it grows sufficiently, could compel them to reinterpret once again their own words and to settle essentially in the manner indicated by the Yugoslav Assembly on March 23.

Pending the growth of such anti-war resistance, we may be in for many more ugly days. Britain's campaign is called Operation Agricola. Apart from his own estimable feats, Agricola was the father-in-law of Tacitus, famous for defining Roman imperialism with the phrase "they make a desert and call it peace." And for his astute observation that "crime once exposed had no refuge but in audacity" – a favorite maxim of John Quincy Adams, for good reason, given his own role in massive slaughter and ethnic cleansing. At least you have to admire the British their classical education.

## Summarizing the Case Against the Bombing By ZNeter Gar Lipow

Stop the bombing now. Cruise missile humanitarianism has multiplied the number of Kosovar Albanian homeless and dead, without saving one life, or stopping one atrocity. By highest estimates, the Kosovo civil war drove 400,000 ethnic Albanians from their homes in 1998; 30,000 of these fled Kosovo. The first two weeks of the bombing increased this to over one million homeless Kosovars; more than 400,000 of whom fled Kosovo. From March 26<sup>th</sup> through April 13<sup>th</sup>, NATO escalated the atrocities to double those in the whole year of 1998.

NATO bears the same responsibility a police officer does in a hostage situation – the responsibility not to get the hostages killed by charging at the kidnapper in a macho frenzy. The CIA and Pentagon both warned our government that it would provoke massacres before it dropped the first kind and cuddly bomb. Milosevic rose to power, in part, by stirring up Serbian nationalist sentiment over Kosovo.

Before our fighter jets flattened large portions of Serbia, Milosevic did not have everything his own way. There was a strong democratic opposition in Yugoslavia, and a strong opposition press. Milosevic was not in a position to completely ignore public opinion. It is far from sure that he could have escalated the level of atrocities.

The first bomb that came close to killing a Yugoslav child changed this. As would happen in the U.S. if bombs were falling on New York, Atlanta, Chicago and Seattle, Yugoslavians rallied 'round the flag. So long as NATO bombs fall on the suburbs and railways of Yugoslavia, there is no atrocity Milosevic can commit which will cost him popular support. War is freedom for tyrants.

In Kosovo, Serbia, and throughout Yugoslavia, NATO aims tenderhearted explosives at oil refineries, power plants, television stations, and office buildings – and quite often misses. It has admitted to unintentionally bombing residential suburbs, civilian factories, a passenger rail car, and part of a convoy of Albanian refugees. Pilots of British Harriers, tired of frequent misses, have turned to cluster bombs, which spray humanitarian shrapnel over a wide area.

In spite of claims to surgical precision, this amounts to indiscriminate terror bombing. Dennis J. Kucinich (D-OH) who initially supported the bombing now opposes it for just this reason.

In the April 9, 1999 New York Times he writes: "... the destruction of the civilian infrastructure of Yugoslavia has become part of the strategy to end the war on Kosovo... We are bringing down terror on the Serbian people ... the Serbian people will never accept a peace with the ethnic Albanians as long as we are dropping bombs on their heads...."

This war threatens more than the population of former Yugoslavia. It threatens the stability of the entire region. Albania, perhaps the poorest country in Europe is overwhelmed by the refugee influx. Macedonia, which already has a strong Albanian minority, fears becoming another Kosovo. As of this writing, the Yugoslav military had crossed an international border to take over a small Albanian village. The Balkans were historically flashpoints for major wars, because major powers got involved in local disputes.

Well, we had to do something didn't we?

Actually we didn't. In our own lives, when confronted by a problem, how many of us would choose making things worse as an alternative to doing nothing?

But, in fact, there were alternatives. The New York Times of April 8, 1999, writing of the failed Rambouillet negotiations said "In a little-noted resolution of the Serbian Parliament just before the bombing, when that hardly independent body rejected NATO troops in Kosovo, it also supported the idea of U.N. forces to monitor a political settlement there." Milosevic had accepted most U.S. demands during Rambouillet negotiations *except NATO monitors*. If he was willing to accept *U.N. monitors* instead, should we not have explored the possibility before we began bombing?

There still are alternatives. Stop the bombing. Forget ground troops. Start real negotiations. Involve the U.N., and what remains of the democratic Yugoslav opposition. Some armed third party will probably be needed to enforce whatever solution is agreed to, and protect all groups in Kosovo from ethnic cleansing. But both sides of the conflict must agree to such enforcers. We could also provide more aid to the refugees, actually give them refuge if needed. We should also remember that the Yugoslav army currently enforces the death penalty for avoiding service in their military, and offer refuge to Serb draft resisters and deserters.

Some people, admitting that bombing is useless, are supporting ground troops instead. A strong U.S. force on the ground will make everything all right. After all, even if we made a well-meaning blunder in this case (no doubt dragged into the situation by our NATO allies), doesn't the U.S. generally do the right thing in foreign policy?

Well, no it doesn't.

The idea that we were "dragged into this" by NATO is wrong to begin with. In the context of this war, the U.S. is NATO. Other NATO countries provide bases, and some of the military force. But the U.S. leads NATO. The U.S. has made essentially all the decisions, both military and diplomatic.

The U.S. may be the best place in the world to live, but people outside the U.S. would just as soon not have us involved in their civil wars. Most of the world winces when it hears the U.S. is about to take action. Our humanitarian sanctions against Saddam Hussein manage to kill about 5,000 Iraqi children each month. We've been bombing Iraq for years; no doubt the Iraq government will fall any day now.

In retaliation for terrorist bombing of U.S. embassies in Africa, we managed to bomb a pharmaceutical plant in Sudan responsible for producing most of Sudan's prescription drugs. At the time, we claimed it was partially owned by Bin Laden and

helped produce nerve gas. It later turn out that Bin Laden had no ownership stake in the plant (direct or indirect) and the chemicals we thought to be a nerve gas precursor were actually used in the making of beneficial drugs. Oops! Sorry 'bout that!

*Recent* humanitarian catastrophes in which we did not intervene include: 80,000 dead in Algeria, 10,000 dead in the Ethiopian-Eritrean war within the past month, 820,000 dead in Rwanda during the last five years, 1.5 million dead in Sudan during the last 15 years.

Worse, we ignore atrocities by our client states, states we could simply order to stop the killing, NATO member Turkey has killed more than 40,000 Kurds (the same ethnic group we are bombing Iraq, as you read this, to protect) using weapons it bought from the U.S.

East Timor was an independent country until Indonesia took it over in 1975, killing 200,000 people (more than 1/3<sup>rd</sup> of the population). Indonesia launched the invasion hours after President Ford and Secretary of State Henry Kissinger met with Indonesian dictator Suharto. The U.S. then doubled military aid to Indonesia, blocked the UN taking effective enforcement action, and continued to sell new weapons, particularly helicopters for the next two decades. Since 1975, the United States has sold more than \$1.1 billion worth of weaponry to Indonesia. The latest massacre in East Timor took place a few days ago, when paramilitaries armed by the Indonesian government slaughtered a church full of refugees.

In short, given the U.S. record, there is no reason to expect a ground force invasion will have superior results to our current policy of better living through bombing. Negotiations are not glamorous. Rambo would have single handedly ended the war. John Wayne would have taken along some sidekicks. But in the real world, negotiations are the only way to save the lives the Kosovar Albanians – especially if we decide that the occasional Serbian life has value as well.

MELBOURNE — The NATO military operation against Yugoslavia this year was meant to be a humanitarian war. British Prime Minister Tony Blair said that it would set the pattern for NATO's actions through the next century.

Such a war would presumably result in the humanitarian problem being much less serious than it was before the conflict. On that test, NATO's actions against Yugoslavia failed. There were about 80,000 refugees out of Kosovo at the beginning of the war, and well over a million at the end of the war.

NATO's claim that it was only attacking military targets was never accurate. Even in the early days of the bombing campaign, I walked through Serbian factories that had been totally destroyed, although their production was for civilian purposes alone. NATO's actions were directed not just against the Serbian military but also against the people of Serbia. Homes, hospitals, even refugee centers did not escape.

The West's mistakes against Yugoslavia were not only military. Diplomacy was conducted without finesse. People who did not understand the Balkans put together a plan and summoned the Kosovo Liberation Army and the Yugoslav government to Rambouillet in France. There was no negotiation. This diplomatic initiative seemed designed to provide an excuse for war.

At the end of the fighting, NATO made three significant concessions which were not on the agenda at Rambouillet. Those concessions can only be regarded as a weakening of NATO's position.

• At Rambouillet, NATO demanded that its forces occupy and govern Kosovo. At the end of the war the responsibility was given to the United Nations.

• At Rambouillet, NATO required a referendum in three years to determine Kosovo's

fate. At the end of the war, Kosovo was recognized as an integral part of Yugoslavia.

• At Rambouillet, the ultimatum required that NATO troops be allowed access to any part of Yugoslavia. At the end of the war, the occupying force was to be confined to Kosovo.

The Rambouillet conditions could not have been accepted by any Serbian leader, or by any president of Yugoslavia. With more skillful diplomacy, the war could have been avoided.

Since it ended, the KLA, coupled with Albanian organized crime, seem set to dominate Kosovo.

On Aug. 11, a report by Human Rights Watch in New York indicated that since the arrival of NATO troops in mid-June more than 164,000 Serbs had fled Kosovo, and peacekeepers had reported nearly 200 murders.

Later, the International Crisis Group reported murders in Kosovo running at 30 a week, mostly of Serbs. At that rate, around 800 people will have been killed by Christmas. With all its power and authority, NATO is clearly unable to protect minorities in Kosovo.

Should NATO's condemnation of Serbia now be turned upon itself? And if that is so, who is to punish NATO?

What can we conclude? Can war ever be fought for humanitarian purposes? War represents a failure of diplomacy and of reason, it encourages the basest instincts in the human race, and truth becomes the first casualty.

It is old news that NATO's war was in violation of its own charter. It was not sanctioned by the United Nations. It was therefore, by international standards, illegal. Does illegality become sanctioned when the illegality is perpetrated by the most powerful?

There were alternatives — diplomacy, a strengthening of

the efforts of the Organization for Security and Cooperation in Europe to monitor events within Kosovo, the exercise of wisdom as opposed to unreasoned conflict.

Even after the war, the West is reluctant to learn any lessons. Sanctions hurt the poorest of the poor. Because of the current cold winter in central Europe, it is likely that many old and very young people will die because there is insufficient heating to sustain life.

In all of this tragedy, Serbia and Serbs worldwide have been demonized. There are no saints in the Balkans, but the history and bitterness there are too old and ingrained to be susceptible to quick Western solutions. Britain, of all NATO members, with its experience of Ireland, should have known that.

Serbs worldwide have encountered hostility within their countries of adoption because, in Western terminology, they have been made responsible for all the ills in the Balkans. In this environment it is important that Yugoslavia do whatever it can to advance a broader and less hostile perception of its actions.

In September, two detained Australian humanitarian workers for Care Australia were released by the Yugoslav authorities after being convicted in a military court of passing information to Care in Australia and to unnamed NATO member countries, even though the court recognized that such information was valid for the purposes of Care's humanitarian work. It was President Slobodan Milosovic who exercised an act of clemency to return them to their families.

Their Serbian colleague, Branko Jelen, has not yet been released, even though the charges against him were less serious than those against at least one of the Australians.

In the larger issue of affairs between nations, it is a small thing; but to Mr. Jelen, his wife Nadia and their two children, it is everything. His release would be seen as an act of generosity and compassion. It would help to underline the fact that the demonization of Serbs has itself been unjust.

Mr. Jelen's release would give greater credibility to those who believe that Western policy toward Yugoslavia has been unbalanced and unwise. It would also help to undermine those who promoted NATO's policy so avidly.

*The writer, a former prime minister of Australia, is chairman of Care Australia and in that capacity visited the Balkans five times this year. He contributed this comment to the International Herald Tribune.*

serbian woman known to my wife and me was a Muslim. That monthly pension (up by now to some \$200) came from tax revenues provided by Serbs, Croats and Muslims.

I take strenuous issue with those who portray the last four hopeful years as a disaster. That view imperils subsequent efforts by the international community, as in the case of Kosovo or East Timor, to help mend societies battered by war.

Let us instead take heart from the Bosnian experience and give these worldwide post-conflict campaigns the respect they so clearly deserve.

*The writer is the World Bank's special representative for Southeast Europe, based in Brussels, and its former resident representative in Sarajevo. He contributed this comment to the International Herald Tribune.*

## IN OUR PAGES: 100, 75 AND 50 YEARS AGO

### 1899: Bolstering Trade

PARIS — [The Herald says in an Editorial:] The commercial treaty negotiated by the French and American Governments was laid before the Chamber yesterday [Dec. 21], and it is receiving the careful consideration of the Senate Committee on Foreign Relations. From a statement made in the Chamber it is expected that the Government may be called upon to show that the interests of French agriculture are well guarded by the treaty. M. Delcassé has declared that it will have this effect, and, furthermore, that "it will give a fresh stimulant to the commercial exchanges between the two countries." Like all reciprocity arrangements for a freer international exchange of commodities, this treaty is designed to stimulate trade between France and the United States, and give to each better markets in the other.

### 1924: Albanian Charge

BELGRADE — The Albanian Government has sent a Note to Belgrade charging Yugo-Slavia with helping to organise the rising in Albania. The Yugo-Slav Government replied that it had always refrained from interference with internal affairs of other countries. Moreover, the Belgrade Government would admit no further discussion and would regard it as non-existent.

### 1949: Indonesian Peace

BATAVIA — Indonesia's outlook is bright today compared with a year ago when the islands were plagued with bitter warfare. On the eve of independence, the Indies are enjoying more complete peace and genuine good will than at any time. On the basis of an almost unblemished record during the interim period, most observers are counting on continued peace