APMDD
ASIAN PEOPLES' MOVEMENT ON DEBT AND DEVELOPMENT

IMF & World Bank at 75:

The Trail of Destruction Must End Now!

https://www.tribuneindia.com/2006/20060917/biz.htm

Seventy-five years ago in 1944, delegates from governments of 45 countries met in Bretton Woods, New Hampshire, USA, and laid a blueprint for redesigning a world ravaged by war. For the first time after World War II, globally binding agreements and institutions were forged, supposedly in the spirit of international economic cooperation.

In truth, the victors of World War II led by the United States dominated the conference and paved the way for a handful of powerful and wealthy Northern countries and governments to dictate to all of humanity the shape and direction of the world economy as they saw fit.

Again, we reflect on the path of destruction and mal-development carved by these international financial institutions (IFIs) to benefit capitalist interests, and paid for dearly by peoples and resources of the South. It is a cautionary tale that must be told and retold, that we may rise and decisively take hold of the present and reclaim the future they have mortgaged for the interests of a few.

The mandate of the Bretton Woods institutions is to maintain a global order and economic climate conducive to capitalist development.

https://stock.adobe.com/ee/stock-photo/indonesian-activists-gather-outside-the-jakarta-stock-exchange-building-which-houses-the-world-bank-office-in-jakarta/148211426

Founding the institutions, ruling the world economy

The Bretton Woods Agreement created the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development or simply, the World Bank (WB), giving a mandate to these twin institutions to maintain a global order and economic climate conducive to capitalist development.

The IMF would enforce the agreed rules of a global financial and monetary system with the US dollar as the international currency, striking a balance between a rigidly fixed currency exchange system and an unfettered floating rate system. The World Bank, on the other hand, would extend loans to war-torn economies and poor countries for use in "development projects" and the "alleviation of mass poverty".

Several changes took place since the founding of the IMF and World Bank in 1944. Rules governing the world economy were adapted to emerging problems and new requirements of the global capitalist system. Steps were taken to enhance and reinforce the powers of these institutions as their focus shifted to developing countries of the South. These included forming new entities under the IMF and World Bank and the establishment of their regional counterparts - the Asian Development Bank, African Development Bank and Inter-American Development Bank.

The structures and decision-making processes that were established reflect the grossly imbalanced power relations between nations. Just like private corporations, voting power and rights of members are proportional to their "quotas" and "shares, based primarily by the size of their economies. The US remains the biggest owner of the IMF and the World Bank, and thus enjoys effective veto powers over major decisions. It continues to stall voting reforms pressed by fast-expanding economies such as China and India.

For the greater part of the 20th century, these institutions defined the needs and requirements of the global capitalist order to thrive and prevail. Not surprisingly, their paradigm and policies have consistently reflected the interests of their most powerful members, notably the US.

Debt domination and destruction

As oil prices rose in the early 1970s, many of the developed countries cut back on demand for goods from South countries to pay for oil and reduce balance-of-payments deficits. Non-oil-producing South countries reeled from the impacts of skyrocketing oil prices, coupled with the fall in the demand for and trading prices of their key commodities.

https://www.thenational.ae/business/imf-learns-to-speak-language-of-victims-1.373112

IMF and World Bank loans propped up repressive dictatorships and authoritarian regimes loyal to the US. The ill-gotten wealth that these despots and their cronies pocketed through onerous debt transactions is still being paid for by peoples of the South today.

International banks and financial institutions, on the other hand, found themselves flushed with enormous dollar surpluses from the quadrupling of the prices of crude oil. Driven by the need to invest the surplus capital, they took advantage of the economic vulnerabilities of South countries and aggressively peddled loans. Relentless and unscrupulous, creditors showed no regard for internal democratic processes and national laws. Loans were lent irresponsibly to corrupt governments and to dubious projects that were non-viable, damaging to communities and the environment, or tainted with fraud and onerous terms. Creditors also liberally extended loans to private corporations requiring government guarantees, conveniently ensuring repayment with taxpayers' money.

More insidious, politically motivated reasons also pushed the high wave of lending in the '70s and '80s, as Northern governments used the IMF and the World Bank to promote their politico-military and economic interests in the South. Confronted by strengthening liberation movements in the South, IMF and World Bank loans propped up repressive dictatorships and authoritarian regimes loyal to the United States, such as Marcos' of the Philippines, Mobutu's of Zaire, Suharto's of Indonesia, and the successive dictatorships in Argentina. Peoples of the South are still paying for the ill-gotten wealth that these despots and their cronies pocketed through onerous debt transactions today.

The external debt of South countries grew enormously through the '70s, eventually leading to a debt crisis in the early '80s. A deep global recession ushered in the '80s with the demand for export commodities of South nations declining and interest rates soaring as a result of the floating exchange-rate policy. Only with Mexico's threat of default in 1982 was the gravity of the debt crisis publicly acknowledged by the international community. By then, many South countries were teetering on the brink of financial collapse or going through severe economic contraction.

In the succeeding years, debt payments of South countries took huge and continually expanding shares of government spending, resulting in the deterioration of basic services and public utilities. A vicious cycle set in as governments borrowed in increasing amounts in order to service their debts.

The IMF, WB and creditor governments led by the G7 countries implemented various "debt relief" schemes. These programs were partly in response to pressure from debt campaigns and public opinion and so were cleverly designed to appear to be in aid of debt-strapped South countries. More importantly, however, these schemes were aimed at keeping the countries in the treadmill of paying their debts, continuing their borrowings, and sticking to the economic conditionalities. Thus, rather than provide real relief, the schemes redounded to far greater benefit for the creditors.

For instance, the Brady Plan of the early 1990s, which targeted countries hit by the debt crisis of the '80s such as Argentina, Mexico, Brazil, and the Philippines, transformed a large part of commercial debts into bonds, instruments which involve stronger payment guarantees and whose terms cannot be renegotiated. Instead of paving the way for debt reduction, it allowed creditors to cut their losses, turn the debts into paper that could be traded in the secondary markets to generate profits, and improve the debt indicators of target countries so they could lend to these countries again. In short, the Brady Plan led to more borrowing and larger debts. Less than a decade later, Argentina fell into another debt crisis and several other countries would follow suit. Today Argentina is again ensnared in a debt trap and inching towards default.

"Debt relief" schemes of the IFIs and creditor states only dragged countries deeper into debt. Argentina fell into another debt crisis and several other countries would follow suit. Today Argentina is again ensnared in a debt trap and inching towards default.

The IMF and WB unveiled the Heavily Indebted Poor Country (HIPC) debt-relief program in the mid- 1990s. Despite its re-launching as the Enhanced HIPC in the late '90s, this scheme has been little more than a mechanism for creditors to clean their books and collect payments from countries that were about to default or were already defaulting. HIPC also exacted compliance with structural adjustment programs as requisite for eligibility, and eventually recycling SAPs in the year 2000 into Bank- and Fund-mandated "poverty reduction strategy papers", or PRSPs.

Despite these debt-relief schemes, the external debt of the countries of the South came to US$2.4 trillion by the year 2002, up from US$580 billion in 1980. Total debt payments made by South countries came to about US$4.8 trillion for the 22-year period.

Today, the consequences of these palliative measures are unfolding in the rising number of debt distressed countries that came under ill-designed IMF-World Bank debt relief programs. Concessional lending declined from the late 2000s and was matched by a rise in non-concessional lending. Failing to attain "debt sustainability" under structural adjustment-style conditions of privatization, finance deregulation and trade liberalization, states have only sustained their dependence on debt, but this time, sourcing loans from commercial lenders that impose higher interest rates and shorter maturity periods.

Conditionalities, Structural Adjustment Programs, and PRSPS

With the debt of South countries ballooning to staggering proportions, the IMF-World Bank held even greater sway over South governments. Using debt as leverage, the Fund and the Bank and their regional counterparts compelled South countries to implement economic policies as conditionalities attached to loans and as requirements for positive credit ratings, ratings that the international financial community uses to determine a country's access to, and the terms of, lending.

These economic conditionalities not only include policies deemed necessary to ensure loan repayments, more importantly, they require strategic restructuring of South economies to give free movement to capital and goods. South countries are thus laid bare to even greater plunder by transnational corporations, international banks and other financial institutions, and Northern governments. At the same time, the economies of the South become more oriented to and integrated with the global economy, relying more and more on the demands of the world market, becoming even more dependent on international investments and credit. This process of neoliberal globalization emerged as direct consequence of the policies of the IMF, the World Bank and their regional partners.

Since the late 1970s, the IMF has been requiring borrowing countries to implement Fund programs that emphasize restrictive fiscal and monetary policies, including those that cover taxes, budget and public spending, interest rates, foreign-exchange rates, international reserves and money supply. In particular, countries undergoing balance-of-payments crises are compelled to implement austere measures known as "stabilization" policies.

The World Bank, on the other hand, has been exacting compliance with broader, longer-term structural adjustment programs that include trade and finance liberalization, deregulation of industries, and privatization of services and utilities. The Bank not only imposes these policies on South countries as loan conditionalities; it finances the implementation of these policies and provides the expertise and technical assistance required.

The impacts of these adjustment policies are already well known. Numerous testimonies, evaluations and studies bear witness to their disastrous effects:

- Debilitating IMF policies led to dramatic reductions in public spending on social services and consequently, the deterioration of public health, education, housing

programs; massive lay-offs of public sector employees; more regressive tax systems; increases in interest rates; and, higher prices of basic commodities.
- SAPs caused the destruction of local enterprises, farms and livelihoods; decline in incomes and increased prices of goods; further constricted access to health care, education and decent housing; dislocated of entire communities, especially those of indigenous peoples; extensively damaged the environment; and, eroded sovereign control over natural resources and development policies. Women and girls in particular, already disadvantaged by embedded gender discrimination, experienced even greater marginalization and impoverishment.

The IMF and the World Bank also relentlessly pushed for the privatization of essential services, such as water and electricity, and continue to do so today, in line with austerity measures in public spending and the persistent belief in private sector provision. Profits guaranteed by client South governments, big water and energy multinational corporations turned public service delivery into profit-making undertakings. Over time, country-level experiences have disproven the claim that private firms provide more efficient, cheaper services, while affirming the adverse impacts especially on the poor and low-income.

But big business remains entrenched in profiting from social services as so-called Public-Private Partnerships (PPPs) gain greater ground especially through infrastructure, in the context of financing the 2030 Sustainable Development Goals Agenda. Corporations themselves are involved in writing UN standards on PPPs that they will profit from! The World Bank trebled its support to PPPs from 2002 to 2012 and formed the Global Infrastructure Facility in 2014 *"to enable mobilisation of private sector and institutional investor capital."*

In the face of worldwide protest and increasing condemnation even by international bodies, the IMF-World Bank eventually conceded that some mistakes had been made and recognized some of the "social impacts of adjustment" while pursuing essentially the same neoliberal prescriptions as before. For instance, SAPs were re-packaged into "country-owned" PRSPs required for HIPC eligibility and for loan approval. Of late, IMF research ahs recognized the detrimental impacts of SAPs and flaws in the neoliberal agenda it espouses. But this has not translated into substantive policy changes. Sector-reform loan conditionalities remain, and are increasing, including tax reform for removing trade tariffs, slashing top-rate tax cuts and greater adoption of regressive consumption taxes. The recently approved $6 billion loan to Pakistan has come with a pledge by government to significantly raise taxes in order to collect $36 billion.

One study found more than 55,000 IMF loan conditions imposed from 1985-2014. They included policy changes on fiscal issues, revenues and taxation such as the removal of trade tariffs and the adoption of VAT. For countries with VAT laws already in place, Fund pressure to expand coverage or increase rates is a well-established trend. A 2017 International Labour Organization study of 187 countries reported consumption tax increases from 2010-2015 in 93 developing countries, of which South Asia, East Asia and the Pacific registered the highest share of countries.

It is also well documented that VAT disproportionately impacts women, especially when levied on basic goods and services that they typically purchase for their households. A tax borne by all final consumers, it has shown to indirectly discriminate again women who often count among lower earning groups and those engaged in socially unprotected, informal livelihoods.

Fueling the climate crisis with dirty energy funding

Trapping the South in various states of arrested development with their failed neoliberal prescriptions, the IMF and the World Bank are also culpable for comparatively greater vulnerabilities of developing countries to build resilience and weather the defining crisis of our times: climate change. But they have instead foisted anew the instrument of debt to plug the failure of the advanced economies to

fulfill pledges of new and additional finance for developing countries, in line with the recognition that they least caused the climate crisis. They cancelled the debts of some disaster-struck countries but extended new loans, as in the case of Haiti and Mozambique, while excluding others from disaster debt relief, such as Nepal, whose number of earthquake-affected citizens was not high enough to fulfill one of the of IMF's criteria.

The IMF and World Bank have also positioned themselves as climate-responsive institutions, with the latter recognizing fossil fuels as harmful to the climate and the planet. The World Bank Group's 2021-2025 climate targets include mobilizing $200 billion to lend to countries' climate action over this period. However, instead of financial grants, a third will come from leveraging private sector investments in pursuit of the IFIs' strategy of attracting private capital flows mainly in infrastructure investments.

Furthermore, even as the Bank committed to shift away from funding fossil fuel projects, fossil fuel financing rose in 2014 by an additional $3.4 billion in the form of loans, grants, guarantees, risk management and equity for dirty energy projects in developing countries. It even invested $643 million into projects with fossil fuel exploration aspects, which only ties developing countries to a future of dirty energy use. Mere lip service is paid to environmental and social safeguards since the Bank's private sector arm – the International Finance Corporation (IFC) -- does not exercise due diligence over these third-party lending institutions. The IFC plays a significant role in the World Bank-managed Climate Investment Funds (CIF), which provide blends of various financial instruments to leverage private finance.

As part of the CIF framework, the Bank raised $4.6 billion of "carbon funds" in support of "clean coal" technologies marketed by energy corporations. But these have only opened open new funding windows for false solutions to the climate crisis. The most efficient coal-fired power plants emit 15 times more CO^2 than renewable energy systems, and twice as much CO^2 as gas-fired power plants. Toxins removed and dumped in waste ponds or landfills have been known to pollute drinking water sources. They also entail huge costs that consumers will eventually shoulder, while bringing in profit for "clean energy" corporations.

Top:
http://america.aljazeera.com/opinions/2015/7/the-world-bank-has-an-accountability-problem.html

Bottom:
https://www.brettonwoodsproject.org/2013/10/ngos-call-halt-world-banks-climate-initiatives/

Our continuing struggle and resistance

The World Banks's own deplorable record of funding projects that favor big business interests, cripple local livelihoods, displace communities, damage the environment and exacerbate climate change discredits it from playing a role in sustainable development. On the part of the IMF, it has shown an ability to reinvent itself, aided in no small measures by the injections of fresh capital by developed countries that usually come in the aftermath of crises. This has entailed expanding and deepening its encroachments even in areas outside of its competence. Behind the now familiar we-feel-your-pain type of responses from the Fund, little else has changed in terms of policy prescriptions for austerity, liberalized trade, lifting capital controls, top rate tax cuts, attracting foreign investments, and leveraging the private sector, etc. – the very neoliberal policies that drive impoverishment and inequality.

There is even more urgent need for new global mechanisms that facilitate economic cooperation among states and regulate trade, financial and monetary relations in a manner that aligned with human rights, social justice and sustainable development. No less than a complete overhaul of the Bretton Woods institutions is warranted. But this can only be realized as part of a larger, strategic agenda – the core of long-standing struggles and resistance to the IMF and World Bank – of profoundly transforming the inequitable, inhuman and unsustainable global capitalist order that they help support, maintain and safeguard.

We cannot allow these institutions to continue in their creation of poverty and crises. We call for a resurgence of the struggles, campaigns and mobilizations against these institutions in both the South and the North to intensify and to move forward with a greater sense of urgency and resolve. Honed in these experiences, we are keenly aware that only through collective resistance and solidarity across countries and peoples of the South can we advance our interests and secure a truly humane and sustainable future.

Mark the 75th year of the Bretton Woods institutions with a resounding cry from communities, workplaces, schools and universities and across countries, for an end to the hegemony of these institutions and the interests they represent, and as a renewal of commitment to build a new economic order within the limits of the planet and founded on the economic, political, and social empowerment of all people to live fully human lives. ❖

Abolish illegitimate debt! Cancel the debt of disaster-stricken developing countries!

Stop privatization of social services! People before profit! No Public-Private Partnerships in essential services!

People's revenues for peoples' needs and rights!

No to corporate tax cuts and tax abuse Scrap regressive Taxes!

Stop funding dirty energy and fueling the climate crisis!

End the destruction!

IMF-WB Out of Asia NOW!