Struggle and resistance against the IMF and World Bank at 75

By Mae Buenaventura

To honour a 75-year history, there have been expressions of renewed commitment from the Bretton Woods institutions (BWIs) to continue lending support to member states, presumably because they did well by their avowed pledges of reducing poverty and strengthening national economies. But the history of many developing countries in Asia that fell under the long shadow of the IMF and World Bank tells a different tale of deepening socio-economic inequalities, continuing impoverishment and deprivation, and ever-present vulnerabilities to exogenous shocks, from financial crises to climate change. More importantly, it also tells a story of struggle and resistance by urban and rural grassroots communities, women, indigenous peoples, the religious sector, academics and other groups – an undeniable rejection of the BWIs' policies and programmes.

A political and ideological struggle of Jubilee South: Debt as common ground

Opposition to the BWIs had long formed part of the analysis and critique of progressive organisations and anti-imperialist movements in the Global South, even before the structural adjustment programmes (SAPs) of the 1980s and 1990s that required borrowing countries to implement certain policies in order to obtain new loans. It was evident from the structure and decision-making processes of the BWIs that the interests of the US primarily, as well as other advanced economies, heavily outweighed those of other member states. Moreover, the BWIs openly extended loans to dictatorial regimes, such as those under Mobutu (Zaire, now the Democratic Republic of the Congo), Ceaucescu (Romania), Marcos (Philippines), Suharto (Indonesia) and Pinochet (Chile), despite widespread reports of their self-aggrandisement and human rights violations.

Debt enslavement became a central and unifying theme among various progressive Southern groups and movements and with like-minded organisations in the Global North. Among these efforts was a gathering in Gauteng, South Africa, in November 1999, which included activists representing peoples' organisations and movements from 35 countries in Africa, Asia, the Pacific, Latin America, and the Caribbean.

Poised at the start of a new millennium, the first Jubilee South-South Summit renewed the tradition of the 'jubilee' as a universal pardon and its underlying themes of equity, harmony with creation and 'new beginnings'. It declared the commitment of the Jubilee South coalition "to advance a common analysis, vision and strategy to overcome the effects and consequences of debt-related domination in the lives and futures of our peoples, countries and environments." It was furthermore an occasion to strengthen links between debt and "trade, finance, investment, consumptions patterns, food security, environmental degradation, and diverse forms of military and anti-democratic, neo-colonialist intervention and repression."[i]

Asserting the external debt of the South as illegitimate and immoral, it brought in critical discourse that rejected mainstream thinking of the debt as involving merely legal, economic and financial concerns. Plunder of Southern peoples and their resources underpinned their state of "indebtedness", thus rendering them "creditors of an enormous historical, social, and ecological debt", and not debtors, for which restitution and reparations are demanded. This also meant that the debt problem was both a national and international matter, with intersecting dimensions.[ii]

We are the creditors: Don't owe, won't pay

Campaigns against structural adjustment loan conditionality framed the debt issue as ideological and political, as "an instrument of power that helps ensure and perpetuate the transfer of resources from South to North."[iii] Thus, the solutions and alternatives that would go the distance needed to be comprehensive and transformative. As asserted in the Jubilee South manifesto, "[d]ebt 'relief' with a view toward 'sustainable' debt servicing and new indebtedness is inherently flawed… Initiatives for immediate debt relief are welcome provided they do not carry with them conditionalities, such as structural adjustment that perpetuate oppression."[iv]

The debt relief measures laid out by the international financial institutions (IFIs) and developed countries to deal with the debt crisis were arguably pushed, in no small way, by broadening protest against neoliberal policies and programmes, such as privatisation and deregulation, or the so-called 'Washington consensus'. These included such schemes as the Brady bonds, debt buy-backs, and the 1996 Highly Indebted Poor Country Initiative (HIPC), which provided full or partial debt relief to mostly African countries.

After structural adjustment, the Bank's tone changed along the lines of poverty reduction, country ownership, participation, inclusion, etc. For instance, the Enhanced Structural Adjustment Facility was replaced by the Poverty Reduction Growth Facility (PRGF), a new lending window for developing countries. The IMF also began requiring borrower countries to prepare Poverty Reduction Strategy Papers (PRSPs), which were supposed to encourage participation of different national stakeholders in drafting poverty-reduction strategies. But after only a few years, it became clear that "consultations had no or little impact on the development of poverty reduction strategies, let alone the sacrosanct macroeconomic frameworks upheld by the international financial institutions… and the donor community in general."[v]

These measures were roundly rejected by Jubilee South as they fundamentally hinged upon recognising the legitimacy of the debt claimed from the South. Calling for repudiation by peoples of illegitimate debts and cancellation by governments, the theme "'**Don't owe, won't pay**'...[became] the Jubilee South slogan contesting the 'debt relief' for the poorest countries approach: debt was an ideological construct no matter what the accounting books said."[vi]

Moreover, it was pointed out these schemes remained tied to neoliberal conditionality that had contributed to the burdensome weight of the debt of developing countries in the first place. They also perpetuated debt enslavement by providing developing country borrowers a way to meet debt service payments with renewed access to international credit. "Debt cancellation," from Jubilee South's perspective, "must be linked to processes that put an end to the perpetual indebtedness of the south, including the abandoning of creditor-imposed structural adjustment."[vii]

Building counter-narratives of resistance: Another world is possible

One of the largest convergences against neoliberal globalisation and its agents found expression in the 2002 World Social Forum (WSF) in Porto Alegre, Brazil, where Jubilee South in collaboration with other networks organised the International Peoples' Tribunal on Debt. On trial were the BWIs, banks, corporations and other financial institutions for the crime of illegitimate debt and the unjust and oppressive burden foisted upon peoples of the South. People from different sectors and countries testified on the illegitimacy of debt before a Panel of Eminent Persons presided by Judge Dumisa Ntsebeza, former commissioner of the South African Truth and Reconciliation Commission.

From the Asian region, Philippine and Korean participants spoke respectively on the Marcos dictatorship's foreign debt and the far-reaching conditionalities of the BWIs. In addition to finding the foreign debt "illegitimate, unjust, and ethically, legally and politically unsustainable", the jury found the accused, "guilty of a wide range of crimes including upholding and favouring unequal terms of trade, charging usurious interests rates, carrying out fraudulent operations, and applying structural adjustment, among others."[viii]

The recommendations included the de-commissioning of "international institutions which serve as agents to coordinate, oversee and guarantee debt flows, such as the IMF and the World Bank," and the assumption of any remaining useful role by more democratic institutions.[ix]

The judgment and recommendations of course carried no legal authority, but it gave global attention to a counter-discourse that indeed, as the WSF itself was aspirationally themed, "**another world is possible**." Onerous debts, debt service payments and loan conditionalities, including the IFIs as purveyors and enforcers, were not inevitable or irrefutable. It was a form of protest that challenged the knowledge, power and authority of the IFIs.

Participatory public debt audits: Lift the lid on bad debt!

Debt movements advocated for critical, participatory, transparent and comprehensive examination of public debts by states and citizens as part of the call to repudiate and cancel illegitimate debts, and in the long run, sever the chains of paying burdensome and unacceptable debts. As conceptualised, this is not a mere accounting procedure but, "both a political tool and a process to disentangle the web of debt – to scrutinize the historical context and events, the transactions and contracts that were forged, the actual use and impacts of the debt, the major actors and institutions – to answer why the Philippines, and many other nations arrived at such a debt quagmire."[x]

Brazil began its citizens public debt audit in 2001, followed by an official debt audit in Ecuador in 2008. Jubilee Australia also launched its 'Lift the Lid' campaign that year to support the citizens' audit of Australia's loans to Indonesia and the Philippines.[xi] Efforts to audit public debts were sparked in France, Belgium, Greece, Ireland, Italy, Spain and Portugal.[xii] Prompting the audit was the result of a "Popular Plebiscite on the External Debt" that civil society had vigorously campaigned for, based on identifying the oppressive impacts of the public debt. At the time, around 95 per cent of more than six million Brazilian voters resoundingly rejected continuing the lending agreement with the IMF, continuing payments of the foreign debt without first conducting an audit as provided for by the Federal Constitution, and to earmarking substantial budget allocations for speculative investors.[xiii]

Regional advocacy and campaigning: IMF-World Bank, out of Asia!

A major blow to the BWIs' credibility and legitimacy struck in Asia when the 1997 Asian financial crisis shook the region. The most adversely affected countries – South Korea, Thailand, Malaysia, and Indonesia – took out more than $120 billion in loans from the IMF. The loan conditionality turned out to be little different than the SAPs of the previous decade, with provisions for deregulating and liberalising the economy, opening local markets to trade and investments and fiscal tightening. The consequences for these countries proved dire in terms of greater poverty and inequality. "Never again!" became the rallying call among those harmfully impacted, realising that they would have been less adversely affected by the impacts of the crisis without accepting the IMF's "rescue" (as Malaysia had done).

It was around this period of heightened economic hardships and social unrest that national organisations and movements in the region convened in 2000 and launched Jubilee South Asia Pacific Movement on Debt and Development (now known as Jubilee South Asian Peoples' Movement on Debt and Development [APMDD]) in Bangkok, Thailand, originally as part of the global Jubilee South coalition. As an independent regional alliance of peoples' movements, community organisations, coalitions, NGOs and networks, APMDD continues its work today and its programme areas are currently focused on development finance and climate justice. Highlighting and critiquing the role and policies of the BWIs runs across these work programmes as continuing cross-cutting concerns.

Campaigning for public goods: Water is a human right

A wave of privatisation was sweeping across many developing countries in the early 2000s, as part of the rollout of neoliberal loan conditionalities that favoured private sector provision over public delivery of services. It reflected the belief that water should be treated like any other tradeable economic good whose price should be determined by the market and by consumers' willingness and capacity to pay.

Campaigning against water privatisation and the enabling role of the IFIs, APMDD asserted water as a life-giving resource that cannot be subjected to profit-driven business practices for full-cost recovery and vigorously opposed the valuation of water as an economic good and asset class. The contributions of various global water justice movements pressed for the recognition of water as a human right and the return of water and sanitation services to public hands. In July 2010, the United Nations General Assembly adopted a resolution declaring safe and clean drinking water and sanitation a human right, "essential to the full enjoyment of life and all other human rights."[xv]

Lessons from Metro Manila's failed water privatisation reached the Indonesian Constitutional Court, where APMDD shared its research findings at the request of the People's Coalition for the Right to Water/KRuHA and other CSOs involved in the alliance's regional campaign against water privatisation. Jakarta's water services had also been privatised in 1997, the same year as Metro Manila's, and also involved loans and technical advice from the International Finance Corporation (IFC), the private investment arm of the World Bank Group. Among the loan conditions was the requirement to "treat water as a tradeable economic good" and encourage private sector participation.[xvi]

Persistent campaigning by Indonesian civil society and water privatisation's own failings eventually clinched the reversal of Jakarta's water privatisation. In 2017, the Indonesian Supreme Court ordered the cancellation of the contracts with the two water concessionaires, and restoration of public water services in Jakarta,[xvii] affirming the struggles of water justice movements in Indonesia and elsewhere, and thus ending a 20-year neoliberal enterprise to reap corporate profits from a public good.[xviii]

Legislative recognition of illegitimate debts

In the Philippines, the concept of illegitimate debts reached mainstream recognition in the legislature through years of campaigning on illegitimate debts and pushing for a public debt audit by APMDD founding member, the Freedom from Debt Coalition (FDC). In December 2016, the senate passed a joint resolution "directing the appropriate Senate committee to inquire, in aid of legislation, into the foreign loans contracted by the Philippine government within the last 15 years through the conduct of a debt audit."[xix]

This was followed by the inclusion in the enacted 2017 General Appropriations Act of a special provision instructing the Philippine Congress oversight committee on Overseas Development Assistance, "to conduct a debt audit to determine the legitimacy" of 20 government-contracted foreign loans. These included loans from the Asian Development Bank, IBRD-World Bank, Japan International Cooperation Agency, Japan Bank for International Cooperation, Japan Eximbank, OPEC Fund for International Development, French Protocol, and Raiffeisen Zentralbank Austria.[xx]

New arenas: Holding IFIs accountable for climate change

In the face of heightened climate change impacts, especially in developing countries, climate justice movements have taken the IFIs to task for double-speak, as IFIs call for an end to harmful fossil fuels while still funding them.[xxi]

One of the most serious legal challenges – mounted and won – by farmers and fisherfolk in Gujarat, western India, was the case they filed against the IFC in 2015 for violating environmental safeguards by granting a $450-million loan to the Tata Mundra coal-fired power generation plant. The plant contaminated water sources and led to livelihood loss due to dwindling fish stocks. These safeguards had been adopted by the Bank in response to criticism and popular protest over environmentally adverse projects but have largely been followed more in the breach than in the observance. Responding with hubris, the IFC did not provide remedy, and then subsequently argued absolute immunity in a US lawsuit filed by claimants.

Eventually, the case reached the US Supreme Court where a landmark decision was reached in March 2019 that international financial institutions can be "subject to lawsuits [in the United States] in cases where their commercial investments in foreign development projects are alleged to have caused harm to local communities." While the further decisions in the case are yet to be settled, this dismantles a long-held belief that IFIs enjoy full immunity and sets a precedent of jurisprudence that may be applied for similar cases in the future.[xxii]

Now, the first complaint detailing the World Bank Group's role in exacerbating the climate crises has also been filed with the IFC's Compliance Advisor Ombudsman, its independent accountability mechanism. Representing project-affected communities, the Philippine Movement for Climate Justice is calling out the IFC's funding of 19 new or expanded coal-fired power plants in the Philippines through a $253 loan channeled through a local bank.[xxiv]

Continue to resist and another world is possible!

Poorly prepared for regional crises in Latin America and Southeast Asia, and the global and European crises of 2008, and in the face of resounding failure and rejection of structural adjustment, the BWIs on their current path face an increasingly dim future. A growing challenge to their legitimacy stems as well from the continuing domination and control in their governance structures and decision-making by a handful of developed states led by the US, even as larger developing country economies today should have increased their voting shares. To say nothing of the derisory voice of least developed countries, which are the most dependent on BWI 'support'.

More than ever, there is an urgent need for global mechanisms that facilitate economic cooperation among states and regulate trade to do so in a manner that supports the right to development of individual countries and is aligned with internationally-agreed human rights standards. Clearly, the BWIs have never fit this description.

Persisting in their ways and accepting no responsibility for the devastating consequences of their past actions, any potential for genuine reform along the lines demanded by movements in the Global South seems remote. No less than a complete transformation of the BWIs is warranted. As part of a strategic agenda and larger struggles of profoundly transforming the inequitable, inhuman and unsustainable global capitalist order which the IMF and World Bank support, we are already moving in this direction.

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Capitalism isn't working.

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