

WTO-IMF-IBRD and Why You Should Care

By David Chandler

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The protests of the 60's centered around easily identified issues: institutionalized racism and the war in Vietnam. By contrast many people are mystified by the new generation of protests in Seattle and Washington DC. The mainstream news media certainly hasn't clarified the issues. In Seattle the occasion was a meeting of the WTO. In Washington DC the focus was the IMF and the World Bank. So what is motivating a broad coalition of protest groups, including, significantly, the hard-hat AFL/CIO which stayed out of the Vietnam era protests, to confront the police in massive demonstrations?

The International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD), now known as the World Bank, were established at the close of World War II to help oversee the reconstruction of Europe and to prevent further conflict by helping poor third world countries develop economically. The role of the IMF was to oversee world currency issues. At the same time there was an effort to establish an International Trade Organization (ITO) to promote international trade, but it failed, leaving in its place GATT, the General Agreement on Trade and Tariffs. The World Trade Organization (WTO) is a new incarnation of the failed ITO founded in 1995.

Over time these institutions have become transformed until now they do just the opposite of what they were founded to do. Their policies dominate the national economies of most of the world. Their beneficiaries are corporations and rich elites and their policies systematically intensify conditions of poverty both here and abroad.

Here's a simplified picture of how these they institutions work today. The World Bank makes loans to a poor third-world country for development projects, often accompanied by speculative loans from private banks. Actually the loans may go to Exxon or Shell or to a small elite group within the country. A substantial fraction of the money may end up in Swiss bank accounts. The people of the beneficiary country, however, become responsible for repaying the debt. When the perception among the speculators is that things are going badly they may pull their money out of the country. The country may at some point be forced to devalue its currency, making repayment of the original debts a practical impossibility.

In private lending situations the borrower would go bankrupt, the investors would lose their shirts, and everyone would be forced to start over. In the international economy, however this doesn't happen. The IMF steps in to bail out the debtor country, lending it

enough money to pay off its debts. (The bailouts, of course, are underwritten largely by the US taxpayer.) As a condition for the bail-out the IMF mandates harsh "structural adjustments" on the borrowing countries. In reality the bail-out is for the lenders. The investors are thereby let off the hook and thus have no incentive to make better investments in the future.

"Structural adjustment" has consistently meant tightening the internal money supply, increasing taxes, instituting policies that cause massive unemployment, reduction of government services and other government spending, and removal of restrictions on international investment and foreign ownership of businesses. In other words, the demand is for the economy to be restructured to work in the interests of the foreign investors at the expense of the people of the country. Along with the restructuring come new loans, continuing the cycle. Of course the next step is for more corporations to move in and set up a sweatshop economy.

The net effect is a massive transfer of wealth from the poor to the rich. Rich bankers make loans to rich corporations and rich elite groups in the third world. The repayment is made by the poor of the third world and ensured by the US taxpayer. If this sounds like fantasyland, check out the web references at the end of this article for numerous concrete examples.

The World Trade Organization (WTO) is an organization of 134 countries founded in 1995 to formulate and enforce rules for international trade. It is an extension to GATT. Whereas GATT focused on tariffs, the WTO has focused on "non-tariff barriers to trade." If legislation in one of the member countries, such as labor laws, health or safety laws, or environmental restrictions, is construed to be a barrier to trade, that country is pressured to remove that barrier. Low wages and high pollution tolerance is thus imposed on member countries. That includes the US. To date, every case that has been brought before the WTO has been decided in favor of corporations, against consumers, labor, local culture, health, safety, and the environment. The corporate economy thus effectively overrules government.

The clincher for protesters of the WTO is that it works behind closed doors. By being a part of the WTO the US is subordinating democracy to an undemocratic process.

Sources:

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