

Interview

# World Bank: Hands up, this is a hold-up!

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*Having been accused of nepotism, Paul Wolfowitz had to resign as president of the World Bank. He is being replaced by Robert Zoelick who has imposed bilateral free-trade agreements on several countries of the South. The World Bank thus proves that it is incapable of becoming democratic and adopting policies which respect peoples' right to social justice and ecologically sustainable development. Fortunately, several South American governments have taken a strong stand: Ecuador has expelled the World Bank representative, Bolivia has withdrawn from the ICSID, Venezuela has announced its withdrawal from the WB and the IMF, discussions are ongoing for the Bank of the South.*

The first Spanish edition of the book *Banque Mondiale: le Coup d'état permanent* (The World Bank: a never ending coup d'état), by Éric Toussaint, president of CADTM-Belgium (Committee for the Abolition of the Third World Debt), was published by the publisher El Viejo Topo in January 2007. This book, which meticulously analyses the practices and objectives of the World Bank, situates the policies of the Bank in their political and geo-strategic contexts, bringing to light the hidden agenda of one of the most important international institutions.

**The subtitle of your book: "a never ending coup d'état" is very provocative. Why did you choose this subtitle?**

I wanted to emphasise the fact that, throughout its history, the World Bank (WB) has supported numerous despotic regimes that were allied to the United States or the imperial powers, which together with the US, control the WB, the IMF... I am thinking of England, France, Germany, Japan and other less important imperial powers. I wanted to highlight how the WB has supported despotic regimes or participated in the destabilisation of democratic regimes. For example, I explain the contribution of the WB in destabilising the Joao Goulart regime in Brazil in the early sixties; it suspended loans to the government of Salvador Allende in Chile in the seventies; it suspended financial aid to the Sandinistas in the eighties. Contrary to popular belief that the WB is an effective instrument contributing to development, I show how in reality it serves the foreign policy aims of the US and directly intervenes in the political life of its member countries. I am talking about the political life of countries of the so-called Third-World, since of course the WB does not intervene in the economic and political life of the US, Belgium or Spain, etc. This is where the notion of "coup d'état" comes from. It must also be added that using the external debt as leverage, the World Bank intervenes in the everyday governmental decisions of the debtor countries. For example, when in 2005, Rafael Correa, the current president of Ecuador, but the then finance minister, decided to allocate a larger percentage of his country's oil revenues to social programmes, the WB insisted that this policy be abandoned. The minister refused, but under pressure from Washington through local politicians, he had to resign. This is an external intervention of the World Bank, and in this case, with the support of the International Monetary Fund and which ended with the resignation of a minister.

**Do you think that the World Bank's disregard for Human Rights and democracy is still topical today?**

Yes, this disregard does still exist. However, there has been a change in discourse. The WB now integrates within its discourse, its public relations campaigns and its policies the question of human rights in a very clever way, in order to placate and co-opt organisations from the so-called civil society (NGOs, etc.) even though in fact the WB spends only a tiny fraction of its budget to finance NGO projects geared towards women, health, or education. It pretends to promote human rights, but globally, it persists with macroeconomic policies that undermine human rights as they are defined in the Universal Declaration of Human Rights 1948 and in various international conventions and treaties, such as the International Covenant on Economic, Social and Cultural Rights of 1966. The macroeconomic policies of the World Bank seek to increase privatisation in developing countries, whereas privatisation means, on the one hand, that key companies in the debtor countries are bought by Northern multinationals and on the other hand, that health, education and other vital services such as postal services, telecommunications and water distribution are privatised. It has been shown that such policies are completely incompatible with the application of human rights on the global level.

**In relation to democracy, do you think that the World Bank continues to support despotic regimes or that it would do so in the future?**

It's clear that the WB supports dictatorships. For example, Pakistan, a "major client" according to WB terminology, is a military dictatorship, and manifestly, a strategic ally of the US in the region. We can also take the case of Turkey, which is not a dictatorship, but where there is a clear disregard for human and political rights, for example towards the Kurds. Turkey has always been a "client" of the WB. In Africa, the WB is present in Chad, a country ruled through the dictatorship of Idriss Déby, because of the presence of oil and because of important interests of North American corporations in the region. It signs agreements with Cameroon and Congo-Brazzaville, both dictatorships. The future actions of the WB will depend on the strategy of the US. Some analysts believe that US strategy, at least in parts of Asia, has once again turned towards direct support for dictatorships.

**The second subtitle of your book, "The hidden agenda of the Washington Consensus", seems to imply that right from the start of the World Bank and the International Monetary Fund, there was a hidden agenda, that the intention was to create a structure of domination.**

When I talk about the Washington Consensus, I am referring to the general policies which have been applied since the 80s and 90s, when this concept came into being. With this subtitle, I want to highlight that the hidden aim of these policies, which affect the whole world, is to reconquer all the economies and to integrate them into the capitalist system, and that with this aim in mind, the types of measures that have been imposed become coherent. For example, I explain in my book that the type of policies imposed, in the context of Structural Adjustment, by the WB and the IMF already existed in the sixties. However, with the Washington Consensus, the primary aspect of the reforms became privatisation, and from the nineties to 2000, there has been a major wave of take-overs with big multinational companies acquiring the control of natural resources of so-called "developing" countries and the control of other strategic sectors of industry and services. This tactic is relatively new and it is part of this coherent strategy of planetary conquest that I mentioned.

**Beyond the theme of privatisation and the will to acquire the resources of developing countries, can you explain what are the key aspects of the Structural Adjustment Programmes?**

Of course. There are two levels in structural adjustment. First comes "shock therapy", which generally consists of brutal devaluation of a developing country's currency while brutally raising the

internal interest rate. For example, the currency of 13 francophone African countries – these countries share a common currency, the CFA – was devalued by 50% in 1994. Brazil's currency, the Real, was devalued by 44% in 1999. Theoretically, these brutal devaluations serve to increase competitiveness of indebted countries on the global market, to increase export revenues and thus guarantee payment of external debts. The increase of internal rates supposedly serves to attract foreign investment, but in reality it gives rise to a general recession, as consumption decreases due to devaluation, which in turn occasions an internal price hike as many items have to be imported, and since the rise in interest rates denies the population access to credit, small and medium entrepreneurs, and sometimes even the big national producers, cannot increase their investments because the internal interest rates are too high. All this provokes chain bankruptcies, as we saw in South-East Asia in 1997-1998; bankruptcies of banks, industries and services. This is generally what arises from shock therapy, causing a disaster: recession and increase in unemployment. For example, to return to the case of South-East Asia, in the space of six months of following IMF and WB policies, between 1997 and early 1998, 23 million people were left unemployed.

### **And after shock therapy?**

The structural adjustment measures have as their principal aim to open the economies of developing countries. This involves the abolition or the decrease of customs tariffs to allow importation without taxation, which increases competition between local and global producers. Generally, this leads to the bankruptcy of many local producers. Barriers to the movement of capital are also abolished. Free movement of capital, whether national or foreign, is supposed to increase foreign investment, but in fact it leaves the country at the mercy of international capital, which can enter and leave freely, sometimes even while attacking the host country through currency speculation (as was the case against Mexico in 1994-1995; against the Asian countries I just mentioned, against Brazil, Argentina, Turkey, and Thailand recently). Furthermore, this allows the capitalists within the Southern countries to legalise capital flight. These days we cannot talk about capital flight, as it has become completely legal, and they can freely place their capital in the financial markets of the North. As I have already mentioned, an especially negative aspect is the privatisation of key strategic companies, whether in the sector of natural resources or in services. There is massive pressure to privatise water distribution, the production and distribution of electricity, postal services, telecommunications... All these services must be privatised... This, in effect, is the policy of the World Bank and the IMF. This implies forcing the poor to pay for basic services, such as education and health. In Africa, 20 years ago, healthcare and the basic drugs, were mostly free. The new policy consists in making these health services fee-paying. Families also have to pay the teacher of the small village primary school. This fundamental element of the structural adjustment is called "policy of cost recovery".

### **What about fiscal policy?**

At the level of taxation, the measures insist on the progressive abolition of income tax and raising indirect taxation, such as VAT. In West Africa, there is a unique VAT rate of 19%, even on water and electricity services. These policies increase in a structural way the subordination of the economies of the South to Northern capital, but are less advantageous to the capitalist classes of the South, which then have to find ways to increase their revenues. Consequently this deepens inequalities in the countries of the South and an increasing section of the population finds itself excluded from basic services.

### **Does this mean that the policies of the WB and the IMF, instead of reducing poverty, in reality increase it?**

Indeed, we can assert that poverty is increasing in the countries of the South, even though the Bank

claims the opposite.

**What is the impact of the World Bank (and of course the IMF, an institution which we cannot ignore) on the capacities of countries of the South for food self-sufficiency?**

This is a very important question. Since its creation in the mid-1940s, and despite its claims to promote the development of the countries of the South, the politics of the World Bank aim to increase exports of raw materials as well as agricultural products. What does this imply for Africa, for example? Up until the early sixties, Africa was self-sufficient in the production of cereals to feed its population, but now Africa is a net importer of cereals. Under recommendations from the World Bank and other international organisations, which claimed that cereal production is better in the mild climates of the North and that the countries of the South could advantageously exchange their tropical products against the products of the North, especially cereals, Africa has increased its capacity to produce exportable agricultural products: coffee, tea, cotton, etc. and has decreased its production of cereals. Consequently, entire regions in the South have lost food sovereignty, that is they are no longer able to feed their population and have become dependent on imported cereals while exporting tropical produce.

**In these conditions, are there any alternatives?**

Of course. The need to propose alternatives imposed itself through the emergence of mass demonstrations.. Already in the eighties there were uprisings against the plans that the WB was defending: in April 1984 in the Dominican Republic; on the 27<sup>th</sup> of February 1989 in an uprising in Caracas against the IMF, etc. There have been numerous popular protests against the policies imposed by the WB and the IMF. As such, these governments created policies independent of the WB and the IMF, and politicians who went beyond the capitalist logic, have been democratically elected, especially in Latin America. I am thinking of the election of Chávez in 1998 and his recent re-election, the election of Lula, of Tabaré Vázquez in Uruguay, Evo Morales in Bolivia, Rafael Correa in Ecuador, Nestor Kirchner in Argentina, and we can also include Daniel Ortega in Nicaragua...

At present, an overwhelming majority of Latin American governments reject, on the rhetorical level, the policies of the World Bank. In terms of action, I would say that the countries that really apply radically different programmes to those favoured by the IMF and the World Bank are Venezuela, Bolivia and possibly Ecuador, though it is still too early really to judge. Brazil, Uruguay, Chile and Argentina, on the other hand, have only slightly blocked the policies of the IMF and the WB, and in reality we cannot talk about a radical break in their case. This is certainly crystal clear in the case of Lula and Tabaré Vázquez. In Brazil, Lula maintains high interest rates, there is no control over the movement of capital, the Central Bank is still independent of the control of the government and the legislature, and an aid package has been negotiated with the WB, that will guarantee the continuity of its policy framework. However, in the case of Venezuela and Bolivia, the re-nationalisation and deprivatisation schemes have been central to the radical departure from the policies of the WB and the IMF: re-nationalisation of natural resources by Bolivia, re-nationalisation in Venezuela of CANTV at the level of telecommunications and the announcement of the re-nationalisation of the electricity sector, which can be added to PDVSA (Venezuela's oil company) which came under public control in 2002-2003. This is the departure point for a radical break from WB policies. It remains to be seen what happens in relation to debts, as Venezuela is paying up its external debts and is transferring an important quantity of resources to its creditors. We will see, in this respect, if Venezuela, Bolivia and Ecuador will take more coherent measures that are in line with their political orientation.

**Hugo Chávez, Evo Morales, Nestor Kirchner and Rafael Correa, are all in favour of a Bank**

**of the South, and the creation of such a bank has been officially announced after a meeting between Kirchner and Chávez. What will be the role of this bank?**

The conditions are present for the countries of the South to pull out of the World Bank and the IMF, and to form a multilateral Bank of the South which will back projects within the framework of 21<sup>st</sup> Century Socialism, that is, projects which have nothing to do with capitalist development of their economies. There is a need for a Bank that backs the development of the public sector, cooperatives and the indigenous communities... That's the first possibility. The second is to have a public Bank of the South which reinforces the national capitalist development of the South, which will not constitute a true alternative. There needs to be a Bank that marks a radical break, and which creates a true alternative. The current political and economic climate favours that type of initiative. In Latin America, the conditions are much more favourable than during the lost decade of the debt crisis during the eighties. The economic possibilities and the political will of the majority of the people of Latin America point towards an opportunity for a radical break with the capitalist system. The central problem is the political will. Clearly, Lula and Tabaré Vázquez do not have this political will, while Chávez, Morales and possibly Correa, lean more towards a radical break.

Whatever happens, and taking into account the high deficit in the US and its repercussions on the dollar, which will continue to fall, a united front of the countries of the South is needed which can place its reserves in a bank that serves their interests, and not invest them in US treasury bonds. An ALBA (Bolivarian Alternative for the Americas) bank, that will be able to finance common projects covering infrastructures industrialisation and the transformation of exports, while supporting the development of the internal market. Such a Bank will be a key element in the project for the development of 21<sup>st</sup> Century socialism.

**Last question. Your book does not deal exclusively with economic policies tied to the political ideology of the World Bank, what about questions of a political nature?**

Of course, it is written from a political point of view. The economic part has always been an important part of my work, but I have always taken into account the political and geo-strategic factors. In the case of the book on the World Bank, it is mainly about politics and geo-strategy. The World Bank is not an organisation whose main preoccupation is economic; it is an instrument of the foreign policy of the great powers, lead by the United States. This book is based on research from voluminous documentation from the WB itself. I have read more than 15 000 pages of documents and the reader can find arguments and facts that are little known but whose sources are in the archives of the WB... By critically studying these documents, I have managed to reveal some facts that were never put forward before, for example the fact that in the early sixties, the WB forced the newly independent African countries to take possession of the debts accrued by Great Britain, France and Belgium in the exploitation of natural resources of colonised countries, ugly debts which should never have been paid. I also show the importance of the impact of the Cuban revolution in 1959-1960 on the policy of the US and the WB in Latin America, in the wake of the victorious revolution. There are documents that reveal how, within the WB, revolutionary contagion in Latin America was taken very seriously. Furthermore, this book shows that during its first 17 years of existence, the WB never granted a single loan for the construction of schools, for water projects and none for sewage treatment. Through a comparative study of official WB statements and the internal memos, I reveal the double discourse of the World Bank. Effectively, I don't think it is exaggerated to say that this book offers numerous new analyses that readers can discover themselves.

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**P.S.**

\* Interview by Miguel Riera - El Viejo Topo, Barcelona, n° 232, May 2007. Translation : Diren

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