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European Languages

زبانهای اروپایی

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10.03.2024

World Bank and IMF support for dictatorships

Series: 1944-2024, 80 Years of World Bank and IMF Interventions, Enough Is Enough!



Sources: CADTM

In July 2024, the World Bank and IMF will be 80 years old. 80 years of financial neo-colonialism and the imposition of austerity policies in the name of debt repayment. 80 years is enough! The Bretton Woods institutions must be abolished and replaced by democratic institutions in the service of an ecological, feminist and anti-racist bifurcation. To commemorate these 80 years, we are republishing every Wednesday until July a series of articles that analyze in detail the history and damage caused by these two institutions.

After the Second World War, in a growing number of Third World countries, policies were turning their backs on the old colonial powers. This orientation was strongly opposed by the governments of the large industrialized capitalist countries, which exercised and still exert decisive influence over the *World Bank* and the *IMF*. The Bank's projects had a strong political content: they had to put a dam on the development of movements that

would question the domination exercised by the great capitalist powers. The prohibition on taking into account "political" and "non-economic" considerations in the Bank's operations, one of the most important conditions of its statutes, has been systematically circumvented. The political bias of the Bretton Woods institutions has been demonstrated by the financial support provided to dictatorships, particularly those that have ravaged Chile, Brazil, Nicaragua, Congo-Kinshasa and Romania.

Anti-colonial and anti-imperialist from winds in the Third World

After 1955, the spirit of the Bandung Conference [1] (Indonesia) hovered over much of the world. of the planet. It was a continuation of the French defeat in Indochina (1954) and preceded the nationalization of the Suez Canal by Nasser (1956). Then they would come the Cuban Revolution (1959) and the Algerian Revolution (1954-1962), the relaunch of the Vietnam's emancipation struggle. In a growing part of the Third World, Their policies turned their backs on the former colonial powers. Herself noted a trend towards import substitution and the development of policies aimed at the internal market. This orientation found the firm opposition of the governments of the great industrialized capitalist countries, who had and have a decisive influence on the World Bank and the IMF. A wave of bourgeois nationalist regimes that pursued policies erupted (Nasser in Egypt, Nehru in India, Perón in Argentina, Goulart in Brazil, Sukarno in Indonesia, Nkrumah in Ghana, etc.) and governments with explicitly socialist orientation (Cuba, People's China).

In this context, the World Bank's projects had a strong political content: to put a dam on the development of movements that would question the domination exercised by the great capitalist powers.

The World Bank's power to intervene in national economies

Since the 1950s, the Bank has woven a network of influences that would make it more and more useful. Great usefulness later. One of its objectives was to promote the demand for its services in the Third World. The influence I had at the time came from in many of the networks of agencies it had established in the States that they would become their customers and, at the same time, their debtors. The Bank He carried out a real policy of influence in order to maintain his network of influences. loans.

Beginning in the 1950s, one of the Bank's first objectives was to 'institution-building', which often took the form of Creation of para-governmental agencies within the client country. [2] These agencies were founded in such a way as to so that they would be financially independent of their governments and would be outside the control of local political institutions, especially the national parliaments. They were natural links between

the Bank, which was They owed a great deal, starting with their existence, and in some cases their financing.

The creation of such agencies has been one of the most important strategies in the of the World Bank to be inserted into the economic policies of the Third World countries.

Operating by its own rules (often drawn up according to the suggestions from the Bank), full of sympathetic technocrats put in place and supported by the Bank, these agencies serve to create a stable and worthy source of trust for what the Bank needs: loan proposals "viable". They also provide the Bank with a parallel power base through which it has been able to transform national economies, and entire societies, without the procedures that require debate and debate. democratic control.

The Bank was founded in 1956, with significant financial support from the Ford and the Rockefeller Foundation, the Institute for Economic Development (ECO-ECONOMIC) and the Rockefeller Foundation. *Development Institute*), which offers six-month training stays to official delegates from the member countries. "Between 1956 and 1971, more than 1,300 official delegates passed through the Institute, and a number of them had already attained the position of Prime Minister, or Minister of Planning, or Finance." [3].

The implications of this policy are disturbing: the *International New York's Legal Center* (ILC) of the Bank's activity in Colombia between 1949 and 1972 it concluded that the autonomous agencies established by the Bank have had a profound impact on the political structure and on the social evolution of the entire region, weakening "the party system and minimizing the functions of the legislative and judicial branches."

Since the 1960s, the Bank has established unique and innovative mechanisms for continuous intervention in the internal affairs of debtor countries. But the Bank adamantly denies that such interventions are political: on the contrary, it insists on the fact that its policy has nothing to do with power structures and that political and economic affairs are separate matters.

The World Bank's lending policy is influenced by political and geostrategic considerations

Article IV, Section 10, provides: 'The Bank and its officers shall not interfere in the political affairs of any member and are forbidden to do so. be influenced in their decisions by the political character of the member, or members concerned. Only economic considerations can influence their decisions and these considerations shall be considered without prejudice, in order to to achieve the objectives [set by the Bank] set out in Article I.'

Despite this, the prohibition of taking into account considerations "political" and "non-economic" in the Bank's operations, one of the The most important conditions of its statutes are systematically flouted. And This has been the case since the beginning of its existence. Recall that the Bank refused to France after liberation as long as there were Communists in their country. government (a few days after their departure from the government in May 1999) 1947, the loan requested and blocked was agreed).

The Bank repeatedly acts in contravention of Article IV of its charter. Indeed, it regularly makes decisions based on political considerations. The quality of the economic policies pursued is not it is the determining factor in their decisions. The Bank lends frequently money to a country's authorities despite the poor quality of its policy and high levels of corruption: Indonesia and Zaire are two cases Paradigmatic. Precisely, the Bank's country-related options which constitute an important political factor, in the view of its principals. shareholders, are generally linked to the interests and orientation of these, starting with the United States.

The decisions of the Bank and its twin, the IMF, from 1947 to the The collapse of the Soviet bloc [4] have been determined by the collapse of the Soviet bloc. mainly due to the following criteria:

- Avoid maintaining self-centered models.
- Support large financially projects (World Bank) or policies to increase exports of the major industrialized countries (IMF).
- Refusing aid to schemes in question a threat by the U.S. government and other shareholders Important.

To try to modify the policies of certain governments of the so-called socialist countries, in order to weaken the cohesion of the Soviet bloc. To this end, economic aid was given to Yugoslavia, which had withdrawn from the Moscow-dominated bloc in 1948, and to Romania from the 1970s, when Ceausescu expressed his desire to move away from Comecon and the *Warsaw Pact*.

- Support strategic allies of the Western capitalist bloc, the United States in particular (e.g., Indonesia from 1965 to the present; Mobutu's Zaire from 1965 to 1997; Marcos' Philippines, the Brazil of the dictatorship since 1964; Somoza's Nicaragua; apartheid South Africa).

- To try to prevent or limit, as far as possible, a rapprochement of the governments of the developing countries with the Soviet bloc or China: for example, to try to get the India and Indonesia of Sukarno's time to move away from the USSR.

– Trying, from 1980 onwards, to integrate China into the US alliance game.

To follow this policy, the World Bank and the IMF are using a tactic generalized: they are more flexible under a right-wing government (less demanding in terms of anti-people austerity) if it faces strong opposition with a left-wing government facing strong opposition on the right. Concretely, this means that these institutions will make the difficult life for a left-wing government beset by a right-wing opposition, to weaken it and favour the right's access to power. Following the same logic, they will be less demanding of a right-wing government beset by a opposition in order to prevent the latter from coming to power. Orthodoxy The monetary structure is of variable geometry: variations depend on factors political and geostrategic. Specific cases — Chile, Brazil, Nicaragua, Zaire and Romania — illustrate the These are both decisions of the Bank and the IMF because these are *roughly* determined by the IMF considerations and subject to the same influences.

The IMF and the World Bank—and other capitalist powers—do not hesitate to support a dictatorship when they see fit. The authors of the *UNDP World Human Development Report* (1994 edition) put it very clearly: "In fact, the aid provided by the United States during the 1980s is inversely proportional to respect for human rights. Multilateral donors also do not seem to be concerned about such considerations. They seem to prefer authoritarian regimes, as they believe without batting an eyelid that they promote political stability and are better able to manage the economy. When Bangladesh and the Philippines ended martial law, their share of total World Bank lending declined." [5].

The Political Bias of the International Financial Institutions (IFIs): Examples of Financial Support for Dictatorships

Support for the dictatorship of General Augusto Pinochet in Chile

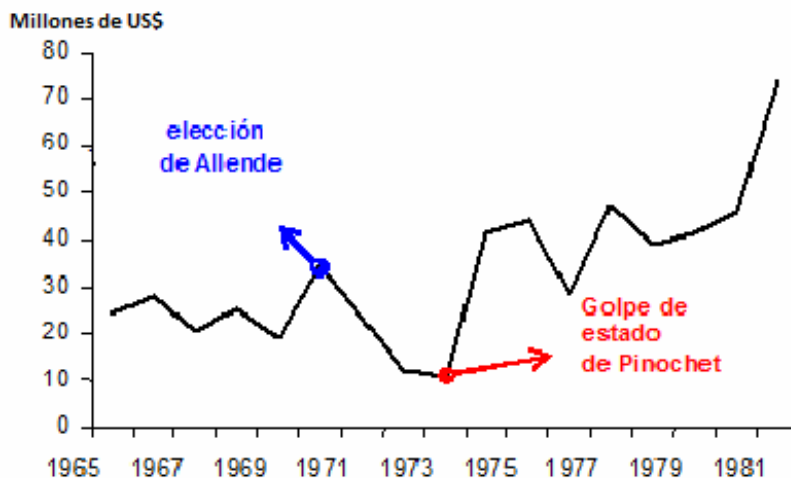


Figure 1. Chile: Multilateral disbursements.

Source: World Bank, *CD-Rom GDF*. 2001

During the democratically elected government of Salvador Allende (1970-1973), Chile received no loans from the Bank, but under Pinochet, after the military coup of 1973, the country suddenly became credible. However, no leader of the Bank or the IMF was unaware of the profoundly authoritarian and dictatorial, in a criminal word, character of the Pinochet regime. The link between lending policy and the geopolitical framework is evident here. One of Robert McNamara's main collaborators, Mahbub ul Haq, wrote a very critical note in a memorandum in 1976 entitled "The World Bank's Mistakes in Chile" [6] trying to get the Bank to change its orientation. It reads: "We were wrong not to support the fundamental objectives of the Allende regime, either in our reports or publicly." But Robert McNamara chose to ignore it. [7] Mahub ul Haq tried, unsuccessfully, to convince the Bank's management to suspend lending to Pinochet because he was "in the process of restoring an economically elitist and unstable society." He added that Pinochet's policies "have aggravated the inequality of the country's income distribution." [8].

Support for Brazil's military junta that overthrew President João Goulart



Figure 2. Brazil: World Bank Disbursements Source: World Bank, *CD-Rom GDF*.

2001

The democratic regime of President João Goulart was overthrown by the in April 1964. Loans from the Bank and the IMF, which had been Suspended for three years, they were restarted soon after. [9].

Let's make a succinct summary of the events: in 1958, President Kubitschek had to enter into negotiations with the IMF in order to receive a U.S. loan of \$300 million. Finally,

Kubitschek it rejected the conditions imposed by the IMF and dispensed with the loan. This will allow you to It was very popular.

His successor, João Goulart, announced that he would implement a reform and that he was going to proceed with the nationalization of the refineries of Oil: The military shot it down. The day after the coup, the State The U.S. recognized the military regime. Soon after, the Bank and IMF resumed the loan policy suspended. For its part, the military abolished the economic measures criticized by the United States and the IMF. It should be noted that the international financial institutions considered that the military regime [10] [GDP had fallen](#) by 7% in 1965 and Thousands of companies had gone bankrupt. The regime organized a strong repression, It banned strikes, caused a sharp fall in real wages, abolished the elections by direct suffrage, decreed the dissolution of trade unions and He regularly resorted to torture.

From his first trip in May 1968, Robert McNamara He travelled regularly to Brazil, where he did not fail to meet with the government of the military. The Bank's public reports praised the policy of the dictatorship with regard to the reduction of of inequality. [11] Privately, however, the Arguments could turn acrimonious. When the deputy director of the department Bernard Chadenet, who stated that the Bank's image would be degraded to As a result of his support for the repressive Brazilian regime, Robert McNamara acknowledged that there was a very strong repression ("*a tremendous amount of repression*"). *of repression*"). But he added: "It's not necessarily much different from what we think. It happened under previous governments and this doesn't seem much worse than in others member countries of the Bank. Is Brazil worse than Thailand?" [12] A few days later, McNarama He insisted: "There doesn't seem to be a viable alternative to the government of the generals." [13] The World Bank He understood very well that inequalities were not diminishing and that his loans to Agriculture strengthened the large landowners. Anyway, he decided continue to lend because what he absolutely wanted was to keep his influence over the government. However, at this level it had a glaring failure: the military showed a deep distrust of the Bank's will to increase their presence. Finally, in the late 1970s, they took advantage of the profusion of loans from international private banks at a Lower *Interest* to the World Bank.

After having supported the dictatorship of Anastasio Somoza, the World Bank ended lending following the election of Sandinista Daniel Ortega to the presidency of Nicaragua

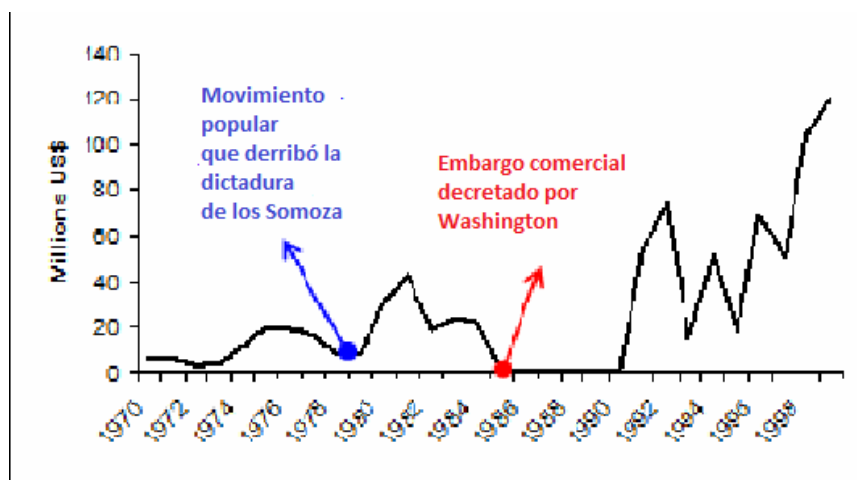


Figure 3. Nicaragua: World Bank Disbursements Source: World Bank, CD-Rom GDF. 2001

The Somoza clan has been in power in Nicaragua since the 1930s, thanks to U.S. military intervention; however, on June 19, 1979, a powerful popular movement triumphed over the dictatorship and caused the dictator Anastasio Somoza to flee. The Somozas, detested by the people, had hoarded a very large part of the country's wealth and favored the establishment of large foreign companies, especially from the United States. His dictatorship benefited from numerous loans from the World Bank. After the overthrow, the government was taken over by an alliance of the traditional democratic opposition (led by business bosses) and the Sandinista revolutionaries. They did not hide their sympathy for Cuba or their willingness to undertake certain reforms (agrarian reform, nationalization of some foreign companies, confiscation of land belonging to the Somoza clan, literacy programs, etc.). Washington, which had supported Somoza until the last moment, saw this new government as a threat of communist contagion in Central America. However, Carter, president at the time of the fall of the dictatorship, did not adopt any aggressive attitude at that time. But things changed as soon as Ronald Reagan arrived in the White House. In 1981 he announced his decision to evict the Sandinistas; He financially and militarily supported a rebellion led by former members of the National Guard ("contras" or "contras"). And even U.S. aircraft mined several Nicaraguan ports. In the face of this hostility, the policy of the government, with a Sandinista majority, became more radical. In the 1984 elections, held democratically for the first time in half a century, Daniel Ortega was elected president with 67% of the vote. The following year, the U.S. enacted a trade embargo against Nicaragua, which isolated the country from foreign investors. For its part, the World Bank cut off loans after the election of Daniel Ortega. As I noted in the

preceding chapter, the Sandinistas then actively tried to convince the World Bank to resume lending. [14].

They were even prepared to implement a draconian *structural adjustment* plan. But the Bank decided not to continue and only resumed them after the defeat of the Sandinistas in the February 1990 elections, which gave victory to Violeta Barrios de Chamorro, a conservative candidate, supported by the United States.

Support for Mobutu's dictatorship

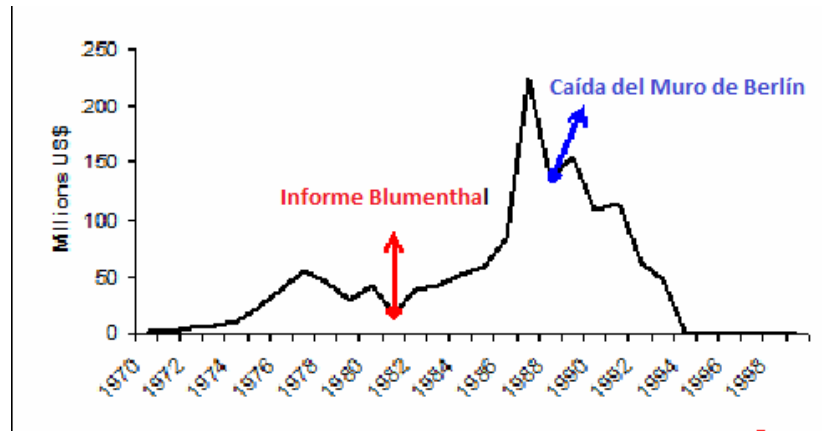


Figure 4, Congo Kinshaza (Zaire under Mobutu): World Bank disbursements.

Source: World Bank, *CD-Rom GDF*. 2001

As early as 1962, a report by the Secretary-General of the United Nations denounced that Mobutu had diverted several million dollars intended to finance the army. In 1982, an IMF representative, Erwin Blumentahl, a German banker, former head of the Bundesbank's Foreign Affairs Department, presented a scathing report on the management of Mobutu's Zaire. He warned the foreign creditors who did not expect to be repaid while Mobutu to remain in power.

Between 1965 and 1981, the Zaire government obtained loans abroad from the United States. Between 1976 and 1981, its foreign *debt* was restructured four times. in the Paris Club, for an amount of 2,250 million dollars.

Despite the abysmal economic management and Mobutu's systematic diversion of a portion of the loans, the World Bank and the IMF did not suspend aid to the dictatorial regime. It is astonishing to see how the disbursements made by the Bank increased after the Blumentahl report was sent. [15] Also those of the IMF, but these are not shown in the chart). It is clear that the decisions of the World Bank and the IMF are not primarily determined by the criterion of good economic management. Mobutu's regime was a strategic ally of the United States and other influential powers within the Bretton Woods

institutions (e.g., France and Belgium) for the duration of the Cold War. From 1989-1991, with the fall of the Berlin Wall, followed later by the implosion of the Soviet Union, Mobutu's regime lost interest. All the more so when in many African countries (including Zaire) national conferences were held that prioritized the demand for democracy. The Bank's lending began to decline until it ceased altogether in the mid-1990s.

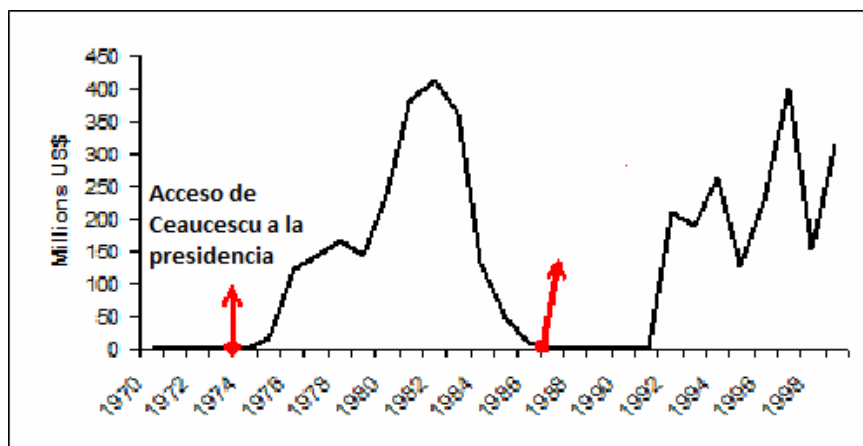


Figure 5. Romania: World Bank disbursements Source: World Bank, CD-Rom GDF.

2001

In 1947 Romania joined the Soviet bloc and in 1972, it was the first to join the Soviet bloc. country in the bloc that approached the Bank.

From 1947 Ceausescu was general secretary of the Communist Party in the United States. power; however, in 1980 he criticized the Soviet intervention in Czechoslovakia and Romanian troops did not intervene alongside those of the Warsaw Pact. This distancing itself from Moscow decided Washington, through the World Bank, to consider closer relations with the Romanian regime.

In 1973, the Bank began negotiations with Bucharest on the initiation of a lending policy, which very soon acquired an appreciable volume. In 1980, Romania ranked eighth in importance on the list of borrowers of the Bank. One of the Bank's historians, Aart van de Laar, tells an anecdote dating back to 1973. At the beginning of that year, I was attending a meeting of the Bank's board of directors, which had on its agenda the beginning of the granting of loans to Romania. In the face of the incredulity of certain leaders criticizing the lack of a detailed report on the country, McNamara would have stated that he had great confidence in the financial morality of the socialist countries in terms of debt repayment. In the face of which one of the Vice-Presidents of the Bank, who were present at the

meeting, reportedly replied "it may be that Allende's Chile is not yet sufficiently socialist." [16] Robert McNamara would have stayed ice cream.

The Bank's decision was not based on convincing economic criteria. In effect, firstly, whereas the Bank had regularly refused to lending to a country that had not paid off old sovereign debts, was beginning to lending to Romania without the country having put an end to litigation about old debts. Secondly, the essentials of exchanges Romania's economic activities were carried out within the Comecon, in foreign currency not convertibles, how could you repay hard currency loans? Anyway Romania refused to provide the required economic reports by the Bank. It is clear, therefore, that these were considerations policies that led the Bank to establish close relations with Ceauscescu. The point was to destabilize the USSR and the Soviet bloc in the United States. the framework of the Cold War by maintaining these relations with Romania. The Fault of internal democracy and systematic police repression did not seem to weigh a lot in the Bank, in this case as in others.

On the contrary, Romania became one of the largest customers of the Bank, which was used to finance large projects (coal mines, pit mines) thermal power plants) whose negative effects in terms of contamination is easily deductible. For the exploitation of the mines of open-pit coal, the Romanian authorities displaced populations that Until then, they had been engaged in agriculture. In another area, the Bank supported the birth planning policy, which sought to increase the natality.

In 1982, when the international debt crisis erupted, the The Romanian regime decided to impose shock treatment on the population. Reduced imports in order to obtain a surplus of foreign exchange for repay the foreign debt at a forced pace. The consequences were terrible for the population, but, as the historians of the book say, commissioned by the Bank to commemorate its half-century of existence, "in In a certain sense, Romania was a "model" debtor, at least from the point of view of view of the creditors" [17]

Conclusion

Contrary to Article IV, Section 10 of the Bylaws of the World Bank, the World Bank and the IMF systematically lent to States in order to to influence their policies. The examples collected in this study show how the political and strategic interests of the great powers supported and financially aided regimes whose economic policies did not respond to the official criteria of the International Financial Institutions (IFIs), and that they did not even respect human rights. In addition, schemes that are considered hostile to the interests of

the great powers were deprived of loans, on the pretext that these governments did not respect the economic criteria defined by the IFIs.

It should not be thought that this policy of the Bretton Woods institutions had been abandoned with the end of the cold war; it continues to be applied to this day: think of his support for Mohamed Suharto's Indonesia until its fall in 1998, Idriss Déby's Chad to this day, Tunisia under Ben Ali until its overthrow in 2011, Egypt under Mubarak until he was deposed in 2011, or the government of Marshal Al-Sissi today...

Translated by Griselda Piñero and Raúl Quiroz and revised by Antonio Sanabria

Notes:

[1] The Conference of Bandung held in 1955 was convened by Indonesian President Sukarno. It was the starting point of the Non-Aligned Movement. Sukarno, Tito and Nehru were leaders who embodied the hope of the Third World in the face of the colonial system of domination. This is an excerpt from Sukarno's speech in the opening of the Conference: "The fact that the leaders of the peoples Asians and Africans can meet in one of their own countries to discussing and deliberating on their common problems is a new point of contention. in history. [...] No people can feel free as long as a any part of his homeland is not free. Like peace, freedom is indivisible. [...] We are often told that colonialism is dead. We don't Let us allow ourselves to be deceived, or even lulled to sleep, by this tricky formula. I assure you that colonialism is still very much alive. How can you say otherwise when Are vast regions of Asia and Africa not free? [...] Colonialism It also comes in the form of economic control, economic control, intellectual and physical control, exercised by a foreign community within the of the nation. It is a skilful and determined enemy that manifests itself under various forms of Masks; He doesn't let go of his loot easily. Anywhere, Anywhere And whatever form it takes, colonialism is an evil that must be removed from the surface of the world." Source: *Le Monde diplomatique*, "Les objectifs de la Conférence de Bandoeng", May 1955, p. 1)

[2] Bruce Rich quotes as examples of agencies funded by the World Bank: in Thailand, the Industrial Finance Corporation of Thailand (IFCT), the Thai Board of Investment (OBI), the National Economic and Social Development Board (NESDB) and the Electrical Generating Authority of Thailand (EGAT); in India, the National Thermal Power Corporation (NTPC), the National Coal Limited (NCL)... View Bruce Rich, *Mortgaging the Earth*, Earthscan, London, 1994, pp. 13-4.

[3] Bruce Rich, *op. cit.*, p. 76. See also: Nicholas Stern and Francisco Ferreira, "The World Bank as 'intellectual actor'" in Devesh Kapur, John P. Lewis and Richard

Webb, *The World Bank, Its First Half Century*, Brookings Institution Press, Washington D.C., 1997, vol. 2, pp. 583-585.

[4] What Matches with the Cold War period.

[5] UNDP *Report Annual Report on Human Development*, 1994, p. 81.

[6] Mahbub ul Haq, "The Bank's mistakes in Chile", April 26, 1976.

[7] Devesh Kapur *et al*, vol 1, p. 301.

[8] Memorandum, by Mahbub ul Haq to Robert S. McNamara, "Chile Country Program Paper – Majority Policy Issues", 12 July 1976.

[9] For an analysis of the facts summarized here, see Cheryl Payer, *The Debt Trap: The International Monetary Fund and the Third World*, Monthly Review Press, New York and London, pp. 143-165.

[10] In 1965, Brazil signed a *Stand-by Agreement* with the IMF, received new Its foreign debt was restructured by the United States and several creditor countries in Europe and Japan. After the military coup loans went from zero to an average of \$73 million per year for the remainder of the 1960s and reached a level of almost \$500 million per year. year in the mid-70s.

[11] Details in Devesh Kapur *et al, op. cit.*, vol. 1, pp. 274-282.

[12] World Bank, "Notes on Brazil Country Program Review," December 2 1971, in Devesh Kapur *et al, op. cit.*, vol. 1, p. 276.

[13] Devesh Kapur *et al, op. cit.*, vol. 1, p. 27.

[14] Declaration of David Knox, World Bank Vice President for Latin America: "One of my nightmares was what we would do if Nicaraguans began to implement policies that we could support. He feared that political pressure, and not just that of the United States, would be exerted by the United, would be so strong that it would prevent us from helping the country." Kapur *et al, op. cit.*, vol. 1, note 95 and p. 1058.

[15] The historians at the Bank say that, in 1982, "seduced by Mobutu's cunning and his promises of reforms, and by pressure from the United States, France and the United States. Belgium, the Bank ventured into Zaire with a structural adjustment programme ambitious', in Devesh Kapur *et al, op. cit.*, vol. 1, p. 702.

[16] Aart van de Laar, *The World Bank and the Poor*, Martinus Nijhoff Publishing, Boston/The Hague/London, 1980, p. 40.

[17] Devesh Kapur *et al, op. cit.*, vol. 1, p. 702.

Source: <https://www.cadtm.org/El-apoyo-del-Banco-Mundial-y-del-FMI-a-las-dictaduras>

Rebellion 09.03.2024