
Another world is possible ... without International Financial Institutions

Until the 1950s, countries were just that: countries. During the US presidency of Harry Truman, countries were classified into “developed” and “underdeveloped”, depending on how close or distant they were from the US model. Since then, the negative adjective “underdeveloped” has been replaced by the more positive “developing”. The fact that most of the so-called “developing” countries are now in a worse social, economic and environmental situation than they were when they were classified as such is not even a matter of much debate.

What’s important – for the “developed” countries – is to maintain the illusion that “developing” countries CAN become similar to Western countries. That is also one of the illusions International Financial Institutions (IFIs) seek to maintain.

The IFIs’ unstated aim, of course, is different: to ensure that “developing” countries’ resources keep flowing to the economically rich “developed” nations, which in the process become even richer –while the “developing” become poorer. Unfortunately, IFIs have until now been highly successful both in achieving this aim and in maintaining the illusion of a Western future for the South.

The two best known IFIs are the International Monetary Fund and the World Bank. They are assisted by the regional African, Asian and Inter-American Development Banks, as well as by the European Investment Bank and a large number of Northern Export Credit Agencies.

Funding from all those institutions – falsely claimed to be assisting countries to “develop” – has resulted in widespread impoverishment and environmental destruction, while at the same time increasing foreign debt and dependence in Southern countries. That dependency is then used by IFIs to impose favourable conditions – which clearly affect the countries’ sovereignty – for northern investment and resource appropriation.

The footprint of IFIs is visible in most processes leading to deforestation. Take the case of the Amazon. Deforestation was first made possible through IFI lending for road-building deep into the forest. This made industrial logging, cattle-ranching, large-scale agriculture, mining, dams and oil exploitation possible, resulting in extensive forest destruction and human rights violations. Most of those activities were themselves made possible through IFI lending. In spite of the plunder of their resources, Amazon countries became indebted and IFI conditionalities forced them to increase resource exploitation for export still further in order to service the external debt. At the same time, structural adjustment programmes opened up the countries’ riches to northern corporations even further. A similar pattern can be easily identified in tropical Africa and Asia.

Even now, when the finance ministers of the world’s seven richest nations have recently promised to cancel the debts the poorest countries owe to the World Bank and the International Monetary Fund, they are pursuing the same aims as before. This is made clear in paragraph 2 of the finance ministers’ statement (11 June 2005), which says that to qualify for debt relief, developing countries must “... boost private-sector development” and eliminate “impediments to private investment, both domestic and foreign”. This means opening up the doors even wider to transnational corporations as

well as privatizing whatever can be privatized, including basic peoples' needs (such as water, health care, social security, education), state-owned assets of all types and even the atmosphere (through climate change-related carbon trading).

It is clear that what people and the environment need is exactly the opposite: among other things, to boost community development, to establish clear impediments to destructive private investment, to ensure free access by people to water, health care, social security, education. While pushing in the opposite direction, IFIs are thus clearly not part of the solution to the world's problems but a major actor in increasing them. They are tools used by the powerful against the disempowered. Their funding and conditionalities result in socially and environmentally destructive activities. Another world is possible without these institutions.

World Rainforest Movement – Friends of the Earth International