



**Globalization and International Institutions:
The International Monetary Fund (IMF), the World Bank
And the World Trade Organization**

By

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There are only two families in the world as my grandmother used to say: the haves and the have nots. – Sancho Panza, Don Quixote de la Mancha, Miguel de Cervantes (as quoted in Human Development Report, UNDP, 2005)

The rising tide of the global economy will create many economic winners, but it will not lift all boats...[It will] spawn conflicts at home and abroad, ensuring an even wider gap between regional winners and losers than exists today.... [Globalization's] evolution will be rocky, marked by chronic financial volatility and a widening economic divide.... Regions countries and groups feeling left behind will face deepening economic stagnation, political instability and cultural alienation. They will foster political, ethnic, ideological, and religious extremism, along with the violence that often accompanies it. CIA, Global Trends 2015, 2000. http://www.odci.gov/nic/PDF_GIF_global/globaltrend2015.pdf

I. Globalization: Markets as Master of Development

Capitalism is a great servant of sustainable development, but a bad master. Historically, many governments have harnessed the power of capitalism to achieve tremendous improvements in the lives of their citizens. However imperfectly, open and participatory governments mediated the rights of different groups -- owners of capital, workers, and consumers -- and defined public goods, like a healthy population and a clean environment, and provided rules and resources to help achieve them.

The process of globalization flips the relationship between governments and markets, so that markets are the “master” of development and governments are the “servants,” facilitating the flow of capital. For purposes of this brief, “globalization” is described as “a process of greater integration within the world economy through movements of goods and services, capital, technology and (to a lesser extent) labor, which lead increasingly to economic decisions being influenced by global conditions.” Global conditions are mediated by two economies:

- The powerful “speculative” economy. The volume of flows, which arises from trading money in rapidly expanding pooled funds (e.g., pension and mutual funds), is at least a hundred times greater than the volume of flows in the “real” economy. Financial speculation and currency crises erupt when huge amounts of footloose capital (over \$1 trillion per day) rush in and out of countries at the push of a computer key. When asked about his image of globalization, an Egyptian said, “We were sleeping on the shore when a big wave came.”
- The “real” economy in which goods and services are produced and traded. Sales of the 500 largest firms in the world nearly tripled between 1990 and 2001. In 2004, there are approximately 70,000 transnational corporations (TNCs) with nearly 700,000 foreign affiliates. Foreign affiliates of transnational corporations (TNCs) account for a tenth of world GDP and a third of world exports. TNCs such as Vivendi Universal (water, media), Pfizer (drugs) and Rio Tinto (mining) have registered the largest increases in foreign assets.

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Comparing the sales volume of Wal-Mart with the GDP of nations, the TNC has more economic clout than all but 19 nations in the world. In the intense competition among developing country producers for integration into corporate value chains of production, firms shed unionized workers, reduce the social cost of benefits, and exploit the natural environment.

While "free trade" and deregulation of economies has spawned powerful "speculative" and "real" economies, it has also swollen the ranks of a third economy: the "informal, or shadow" economy where transactions are based on street trading, smallholder farmer production, and the labor of women. The dynamism of informal economies sustains the vast majority of populations in developing countries. Nevertheless, their contribution is invisible insofar as it is not counted in a country's gross domestic production (GDP). Workers in the shadow economy have no protection against illness or old age.

The 2002 U.S. National Security Strategy states that "free trade" is a "moral principal." Indeed, "free traders" see globalization as expanding economic freedom, spurring competition, and raising the productivity and living standards of people in countries that open themselves to the global marketplace." The invention of big, fast cargo ships, the mass production of jet planes, cellular technology, the internet – all of these have compressed the time and cost of moving almost anything. Proponents of globalization celebrate super-efficient production chains -- clusters of firms from dozens of countries – that manufacture components for sophisticated, high quality goods sold at affordable prices. No globalization, no I-Pod.

Globalization is not new phenomenon, but in this era, the significant expansion in markets and the rise of corporate power began about 1980, during the administrations of U.S. President Ronald Reagan and U.K. Prime Minister Margaret Thatcher. Then, it accelerated after the collapse of the USSR and communism in 1989.

The international financial institutions (IFIs) – the International Monetary Fund and the World Bank -- were formed in 1945 to stabilize the world economy and rebuild Europe in the aftermath of World War II. However, after the independence movements and the fall of communism, their missions changed as membership grew from the original 57 to 184 nations. In 1980, developing country debt crises (accompanied by plummeting prices of commodity exports) led the U.S. and U.K. to use the IFIs -- to capture foreign markets and recoup debts with bare-knuckles power. Borrowing governments were required to slash their budgets – e.g., health, education, agriculture, and infrastructure -- in order to meet budget targets set by the IFIs and service their debt obligations to the institutions. Since 1995, when the World Trade Organization (WTO) was formed, transnational corporations have increasingly influenced political leaders to push international trade laws in the same direction of liberalization and deregulation.

Originally, the IMF's mandate involved assisting countries in stabilizing their short-term balance of payments and the exchange rate of their currencies. When, as is true today, the price for Mali's cotton drips, the IMF steps in and helps to balance the budget by financing a portion of the lost revenue. [The international price for cotton has dropped due to factors, including U.S. subsidies for its 25,000 cotton farmers.]

However, the IMF's mandate has grown to include long-term financing for development purposes. Poverty reduction was not part of the World Bank or IMF's remit until 1989 and 1999, respectively. At this point, the IMF micro-manages the budgetary decisions of most developing countries. In the case of Mali, the IMF is requiring the government to cut wages of health and education workers, cut financing for the social safety net, reduce pensions, and cut subsidies for petroleum.

Technically, the IMF has authority over the U.S. economy. However, the U.S. does not heed the IMF's warnings that it's ballooning fiscal and trade deficits threaten the global economy.

To comply with IFI policy prescriptions, developing countries have unilaterally liberalized their economies including sectors such as: agriculture, including crop marketing and trade parastatals; services -- including health care, education, water; government procurement of goods and services; manufacturing; and intellectual property rights. Such liberalization has opened up economies to foreign investors. At the WTO, trade rules are being negotiated in all of these sectors, plus more. When governments of

developing countries liberalize in the context of WTO negotiations, they demand reciprocal concessions such as access to Northern markets. However, when they unilaterally liberalize under IFI auspices, they receive no concessions. This is an enormous benefit to rich countries and their transnational corporations.

The U.S., the European Union and other advocates for "free trade" don't practice what they preach. For instance, they subsidize agriculture to the tune of about \$1 billion per day and dump cheap foodstuffs in developing countries, thus, under-pricing and extinguishing the livelihoods of local farmers. In the current WTO negotiations, the New York Times says, "The European Union and the United States are busily fighting over how little they can get away with when it comes to liberalizing farm trade. Listening to these two economic powerhouses snipe about who should be doing what is revolting; neither is doing anything real." Just as damaging, the industrialized powers slap manufactured goods from developing countries with tariffs, thus consigning these countries to exporting raw materials for which prices have been on the decline for some 40 years. Just between 1997 and 2001, the combined price index of all commodities (in US\$) fell by 53% in real terms in sub-Saharan Africa. That is, the region lost more than half of its purchasing power in terms of manufactured goods.

Whereas the IMF was initially created to help countries manage balance of payment problems and currency fluctuations, its primary role today is to keep fiscal deficits and inflation as low as possible throughout the developing world. Unfortunately, these policies often have a negative impact on economic growth and employment – and ultimately on poverty. With regard to the impacts of budget cuts on rural Africa, economist Jeffrey Sachs says that there is a "silent tsunami... silent holocaust underway with mass death. But, [the IMF and World Bank] don't say in public that the United States and other donor countries should therefore do more to save the millions of lives that could be saved.... What they say is to the governments, "Well, so sorry you have what you have; now live and in fact die, within your meager means...."

In 1997-98, East Asian governments, in part due to pressure from the IMF, eliminated the "speed bumps" or regulatory controls on the inflows and outflows of speculative capital to the region. Investors prize capital mobility highly. When capital hemorrhaged out of the region, hundreds of million of people were thrown into poverty. Western firms were able to buy up assets in the region at firestorm prices.

Sachs claims that the IMF and World Bank are the "handmaidens of creditor governments," that do not fairly serve the interests of all of their members. After more the two decades of World Bank and IMF policies, rolling back the state and harsh macroeconomic discipline have failed to turn the tide on poverty. In fact, evidence suggests that economic growth was significantly better under interventionist governments in the two decades before the Bretton Woods institutions adopted their current policy line.

According to Weisbrot, Baker and Rosnick, the rates of growth for countries at all income levels, except the poorest, declined in the era of globalization: 1980-2005 as compared to the earlier period 1960 – 1980. For the poorest countries grew only meagerly. The U.N. Development Program (UNDP) finds that, between 1985 and 2000, 55 countries developing countries grew at less than 2% per year and 23 countries experienced economic contraction. Only 16 developing countries grew at more than 3% per year. Whereas Gross Domestic Product (GDP) per capita in the 20 richest countries has tripled since 1960, it has barely changed in the poorest 20 countries.

As the IFIs have promoted privatization of state assets and services over twenty-five years, state monopolies have become private monopolies and wealth has become increasingly concentrated in the hands of a few. In 2002, the U.S. persuaded the World Bank's Board to adopt a "Private Sector Development strategy" – aimed at privatizing health care, education and water services -- as the overarching strategy of the institution. During 2006-08, the Bank's private sector affiliate will double its financing for these purposes in Africa. The strategy involves scaling up financing for "high risk" infrastructure, particularly dams. In sectors, such as health care, one commonly finds a two-tiered service supply with a corporate segment focused on the healthy and wealthy and an under-financed public sector focusing on the poor and sick.

Growth in inequality has also been striking. Some 358 billionaires control assets (a wider measure of their power than income alone) greater than those of 2.3 billion people, 45 percent of the world's population.

Between 1981 and 2001, the number of people living on less than \$2 per day grew from 2.4 billion to 2.7 billion. The increase is evident in every region of the world, except for East Asia and the Pacific. With subsidies of \$2.50 per day, European cows are richer than nearly half of the world's population. According to UNICEF (2004), more than 1 billion children are growing up hungry.

Of 73 countries for which data are available, 53 countries with 80% of the world's population have seen inequality rise; while only 9 with 4% of the world's population have seen it narrow. In the U.S., the richest 1% of families earned 9.3% of all income in 1980. By 2000, this income share had increased to 19.6%. Correspondingly, the income share of the bottom 90% declined from 66% to 53.9%. According to the September 2005 report of the Census Bureau, poverty rose to 12.7 percent of the population last year, its fourth consecutive annual increase.

Inequality is explosive, particularly when "market-dominant minorities," such as whites in South Africa, Chinese in Southeast Asia, Jews in Russia, or Indians in East Africa, control hugely disproportionate percentages of their countries' resources. Throughout Latin America, indigenous peoples live at the margins of their societies. As described by Yale Professor Chua, introducing democracy in these circumstances ignites active ethno-nationalist movements demanding that the country's wealth and identity be reclaimed by the "true owners of the nation." She goes further in suggesting that the U.S. is the market-dominant minority in the world.

Box 1

Activist Movements Join Forces
Against the IFIs

*In the mid-1980s, people in the Narmada Valley of India found stakes hammered into the hillsides surrounding their villages. Only then did they learn that a World Bank-financed dam would flood their lands and, ultimately, cause 200,000 people to lose their homes. In the same era, a World Bank-financed project built roads that penetrated the Brazilian Amazon and led to massive deforestation and extinction of indigenous peoples.

*In June 2000, the World Bank helped finance a \$3.7 billion project to develop oil infrastructure in Chad and build an oil pipeline from that country to Cameroon's Atlantic coast. The Bank never produced a comprehensive social and environmental impact assessment (EIA) despite widespread fears of water shortages and pollution due to oil spills. European and U.S. companies engaged in extracting the oil are exempt from paying taxes in Chad, limiting benefits to that country's poor population.

*In the late 1990s, under pressure from the World Bank, Bolivia turned the city of Cochabamba over to U.S. based Bechtel Corporation which imposed huge rate hikes, leading to massive protests and forcing the company to abandon the project. In 2005, the government of Tanzania expelled a British company, Biwater, from the country after the company breached its contractual promises to improve water services to the poor of that country's capital, Dar es Salaam.

II. Corporate Governance

Corporations are legitimate stakeholders in debates about economic policy. However, when their interests drive national priorities and global governance, democracy suffers. At present, corporate social responsibility (CSR) standards are purely voluntary. Should they be mandatory? Citizens need to speak out about questions that affect their communities and society, at large:

Under what circumstances should large dams be built? How can sovereign rights of indigenous peoples be protected? Do we believe that market forces rather than governments should provide water, which is

essential to lives and livelihoods? Do we want corporations to take responsibility for the standards of their products? Should new corporate accounting principles take the costs of environmental damage into account? Should corporate contracts with governments – even those covering essential services like health care or water -- be secret? How can domestic competition laws stop collusion by transnational corporations and guarantee of the rights of foreign consumers to take actions in foreign courts against corporations that abuse their market power (e.g., Universal Foreign Corrupt Practices Act).

Transnational firms like Coca Cola and McDonalds establish brands and distribution networks across the planet, homogenizing consumption and exporting dubious aspects of (mostly US) culture. Capital is increasingly concentrated. If we consider the gross sales of a corporation to be roughly the equivalent of the GDP of a country, of the world's 100 largest economies, 51 are actually private companies. The combined sales of the world's top 200 corporations are equal to 28 percent of total world GDP. These same 200 corporations employ only 18.8 million people, less than 1/3 of one percent of the world's population.

Box 2

Student Action

Students vs Coca-Cola. In June 2005, the University of Michigan's Dispute Review Board found evidence that Coca-Cola may have violated standards of the University's Vendor Code of Conduct on the issues of high pesticide levels in soft drinks in India and labor practices in Colombia. A student coalition representing 5,000 students in alliances with Indian and Colombian movements was gratified that the University is now requiring a full-fledged investigation of allegations that Coca-Cola has been selling products in India with high levels of pesticides, including DDT, sometimes as high as 30 times those allowed by the US and European Union standards. In Colombia, Coca-Cola's bottler, Panamco is charged with hiring right-wing paramilitaries to kill and intimidate trade union leaders from Coca-Cola bottling plants.

Students vs Nike. In April 2005, after five years of pressure by groups, including United Students Against Sweatshops, Nike disclosed its factory locations so that the conditions of factory workers can be monitored. Nike has admitted that its factories are places where physical and sexual abuse, low wages, restrictions on bathroom use and other human rights abuses happen on a regular basis.

Students vs Big Pharma. Student Global AIDS Campaign effectively organized against pharmaceutical giants that claimed that countries importing generic drugs for treatment of HIV/AIDS violated their patent rights. As a result of such pressure, 31 pharmaceutical companies withdrew their suit against South Africa for exporting generics.

III. What Future for the World Bank and IMF?

The IMF and World Bank are experiencing a crisis of legitimacy due to the institutions' lack of democratic governance, adverse impacts of their operations, lack of accountability to those impacted and corruption. IFI expert and Carnegie Mellon University Professor Adam Lerrick declared that the World Bank needs an independent performance audit of its operations...that an auditor would find half of the institution's project operations don't even exist. Democratic practice, accountability, and transparency need to be restored from the "base," or the grassroots of developing countries to the "apex" of the global institutions.

A. **ABOLITIONISTS.** Below, in their own words, are the voices of leaders from all points of the political spectrum that question or oppose the existence of the IMF and/or World Bank:

*JESSICA EINHORN, former Managing Director of the World Bank, writes in "Foreign Affairs" (January/February 2006) that the World Bank's window for middle-income countries, the International

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Bank for Reconstruction and Development (IBRD), "seems to be a dying institution." She proposes ways that the institution might be phased out. She states, "The whole concept of a lending institution with a big balance sheet tied up in long-term loans has been overtaken by securitization, in which loans are just the starting point for packaging together securities that can be sold and traded in the marketplace...Looking ahead...credit to middle-income countries will be just another derivative financial instrument to be bought, sold and managed in private portfolios."

*JOSEPH STIGLITZ, Nobel economics laureate ("Financial Times," 8/21/02) "I used to say that since we are going to need these institutions, it is better to reform them than to start from scratch. I'm beginning to have second thoughts. I'm beginning to ask, has the credibility of the IMF been so eroded that maybe it's better to start from scratch? Is the institution so resistant to learning to change, to becoming a more democratic institution, that maybe it is time to think about creating some new institutions that really reflect today's reality, today's greater sense of democracy. It is really time to re-ask the question: should we reform or should we build from start?"

*DAVID ELLERMAN, a former Senior Economist of the World Bank, states: "Agencies such as the World Bank and IMF are now almost entirely motivated by big power politics and their own internal organizational imperatives. All their energies are consumed in doing whatever is necessary to perpetuate their global status. Intellectual and political energies spent trying to 'reform' these agencies are largely a waste of time and a misdirection of energies. Dominant global institutions, like monopolies or dominant oligopolies in the private sector, can be counted on to use the power to maintain their dominance -- and yet that dominance or monopolistic power is the root of the problem. ("Helping People Help Themselves: From the World Bank to an Alternative Philosophy of Development," Ann Arbor, U. of Michigan Press, 2004)

*WALDEN BELLO, Director of FOCUS on the Global South in Bangkok, Thailand states: "Rather than expect the highly paid World Bank technocrats who live in the affluent suburbs of Northern Virginia to do the impossible, designing anti-poverty programs for folks from another planet -- poor people in the Sahel -- it would be more effective to abolish an institution that has made a big business out of 'ending poverty' and completely devolve the work to local, national and regional institutions better equipped to attack the causes of poverty.

*ARCHBISHOP NJONGONKULU NDUNGANE, Capetown, South Africa, "[If] we must release ourselves from debt peonage - by demanding the repudiation and cancellation of debt - we will campaign to that end. And if the World Bank and IMF continue to stand in the way of social progress, movements like Jubilee South Africa will have no regrets about calling for their abolition. To that end, the World Bank Bonds Boycott movement is gaining even greater momentum. ("A World With a Human Face: A Voice from Africa," Cape Town, David Philip, 2003, p. 31)

*JUBILEE SOUTH: "We reject...any further role or interference of the World Bank or IMF in our countries. We as African civil society organizations need to...mobilize our people to challenge and change the global economic system through campaigns and actions to shut down the World Bank and IMF." (Pan-African Declaration on PRSPs, May 2001, Kampala, Uganda)

In addition, we see churches, foundations, union, cities and social responsibility funds that have joined in a boycott of the World Bank. TIAA-CREF, the world's largest pension, sold its World Bank bonds as did cities (e.g., Milwaukee), Progressive Assets Management, Calvert Group, Unitarian Church, the University of New Mexico, and many union pension and investment funds, such as the Teamsters, Postal Workers, Communication Workers of America, etc. See www.worldbankboycott.org.

For more information on the abolitionists' agenda, see www.50years.org or www.focusweb.org.

B. REFORMISTS

1. Some would radically strengthen the IFIs:

*MERVYN KING, Governor of the Bank of England contends that the IMF is irrelevant. Martin Wolf of the "Financial Times" (2/22/06) responds to Mervyn King, Governor, "Let us be brutal: the IMF is on the brink not just of 'obscurity,' as Mr. King suggests, but of irrelevance." Mr. King believes that the IMF should be an authoritative economic colossus which, among other things, would drive the trade talks.

*In a 2/23/06 letter to the "Financial Times," FRITZ FISCHER, Former Executive Director at the World Bank called for creating single board for IMF and World Bank, saying that "Such a pooling would not only cut costs at a time when their traditional revenues from interests to loans are shrinking. It would also reduce duplication and - above all - guarantee consistent advice for the clients.

2. Others would shrink the IFIs and refocus their role in the world.

*YILMAZ AKYÜZ, would radically overhaul the IMF. See his paper, "REFORMING THE IMF: BACK TO THE DRAWING BOARD," (Third World Network, November 2005):

http://www.twinside.org.sg/title2/par/IMFREFORM_word_with_cover_for_website_nov05.doc

The paper recommends that the IMF should focus on short-term counter-cyclical current account financing and policy surveillance and withdraw from its involvement in development and trade policy as well as bail-out operations in emerging markets. Rather, it suggests that the IMF should help preclude the need for bailouts by working with emerging markets to manage unsustainable capital inflows by promoting appropriate measures, including direct and indirect controls. Finally, the paper urges the IMF to pay greater attention to destabilizing impulses originating from macroeconomic and financial policies in major industrial countries.

While the paper calls for changes in IMF policies and modalities, it concedes that any reform designed to bring greater legitimacy would need to address shortcomings in the institution's governance structure. It holds out little hope for change in this regard. The paper contends that governance reform would require that the IMF end its dependence on a few countries for resources and that its engagement with countries be independent of bilateral arrangements.

Reformist campaigners call for:

*ending the IFI practice of imposing policy conditions on financing, unless conditions relate to strengthening fiduciary capacity – that is the capacity to spend resources for the intended purpose. As agents of globalization, the IMF and World Bank derive their clout from the practice of attaching policy conditions to their financing of governments. Such conditions supplant democratic practice, often requiring that borrowing countries to pass laws acceptable to the IFIs and compliant with the WTO. In 2004, a World Bank loan to Mozambique required that the President of that country issue seven decrees, thus bypassing the parliament altogether. Executives in many borrowing countries become more accountable to the IFIs than to their own citizens.

*withdrawing the IMF from its role as head of a "policy cartel." The IMF has a unique role in the global economy insofar as it modulates the flow of financing to governments based upon its assessment of their performance. If the IMF declares that a government is "off track," or not in compliance with the institution's policy conditions, most financiers will withdraw from the country. Operating as head of such a policy "cartel," the IMF effectively closed the spigot on most financing to the government of Malawi from January 2002 until August 2005, when the country was gripped by famine. The IMF often punishes the most vulnerable countries, while "blinking" as strategic countries such as India or Pakistan flout its mandates. The U.K. has already declared that it will no longer automatically follow the IMF's "signals;" the U.S. should do likewise.

*eliminating the requirement that national strategies be shaped and endorsed by the IFIs. In 2000, the IFIs began requiring the governments of low-income countries to produce national development strategies (i.e., Poverty Reduction Strategy Papers (PRSPs)) for endorsement by the institutions' Boards. Governments prepare these documents with input donors and creditors as well as citizens in order to provide a framework for external assistance. However, citizens are excluded from discussions of key policies, for instance, those related to trade and privatization of basic services. External actors should

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withdraw from the process of preparing these strategies. Independent countries should not need to have their development strategies endorsed by their creditors.

*supporting efforts by the U.S. Congress to curb corruption at the World Bank. In particular, it is important to call for independent audits of the institution's operational performance.

*requiring that the World Bank comply with "best practice" with regard to environmental and social performance. This would entail reversing the recent weakening in environmental policies (e.g., the removal of the ban on clear-cutting forests); compliance with the guidelines of the World Commission on Dams and conclusions of the Extractive Industries Review. As a public institution, the World Bank should be a trend-setter for the private sector.

*encouraging the formation of regional institutions, such as the Asian Monetary Fund, which can usefully supplant a global "control center" for macroeconomic policy.

*increasing democratic governance of the institutions. In each institution's 24 member executive board, votes are distributed to governments based upon their financial holdings in the institution. Industrialized countries control approximately 62% of votes in the IMF and World Bank, with the U.S. alone holding veto power. Countries where the institutions operate have insufficient "voice" in their decision-making.

The World Bank states that it never forces policies upon its member governments. In fact, the World Bank, like the IMF, negotiates the terms and conditions of its lending arrangements with the Finance Ministers of borrowing nations. For the most part, citizens and their representatives in parliament have little role in influencing these deals. Hence, it is not surprising that, under contract to the World Bank, Princeton Survey Research Associates, surveying over 2400 opinion leaders in every region of the world found that "Most opinion leaders think the World Bank forces its agenda on developing countries. This finding is consistent and overwhelming in all regions and in virtually all countries." In reaction to policy conditions, such as those that eliminate subsidies for basic staples, there have reportedly been 238 incidents of civil unrest involving millions of people across 34 countries, according to the U.K.-based World Development Movement.

*requiring greater transparency on the part of the IMF and World Bank. As it is, loan documents rarely reach the people most affected by World Bank and IMF operations. Moreover, English is the dominant language in which they are written.

For more information on the reformist agenda, see: www.bicusa.org or www.new-rules.org.

IV. Conclusion

U.K. Prime Minister Tony Blair stated, "I hear people say we have to stop and debate globalization. You might as well debate whether autumn should follow summer." However, globalization must be debated and its rules must be changed. Global governance decisions are increasingly made in ways that limit – or circumvent – the consent of the governed. The IMF and the World Bank – have a "democracy deficit;" they are primarily accountable to few powerful countries, particularly the U.S. Citizens' groups can strengthen the accountability of corporations, the governments that they elect, and international institutions controlled by the world's most powerful countries.

Questions:

What is your image of globalization?

What are the pros and cons of having transnational corporations with greater power than many nations?

How can democracies be preserved when policy-making occurs at the global level?

Box 3

Key International Organizations

The World Trade Organization (WTO)

Managing Director, Pascual Lamy

Headquarter Location: Geneva, Switzerland

Number of Members: 148 governments

Founding Date: January 1, 1995. The WTO is a successor to the General Agreement on Trade and Tariffs (GATT)

Secretariat Staff: 630

Purpose: The WTO is the only global international organization dealing with the rules of trade between nations. At its heart are the WTO agreements, negotiated and signed by the bulk of the world's trading nations and ratified in their parliaments. The goal is to help producers of goods and services, exporters, and importers conduct their business.

The International Monetary Fund

Managing Director, Rodrigo de Rato

Headquarter Location: Washington, D.C.

Founding Date: 1945

Number of Members: 184 governments

Number of borrowing governments: 82

Number of Staff: 2,680

Purposes: Promoting international monetary cooperation; facilitating the expansion and balanced growth of international trade; promoting exchange stability; assisting in the establishment of a multilateral system of payments; and making its resources available (under adequate safeguards) to members experiencing balance of payments difficulties.

Financing: Most resources for IMF loans are provided by member countries, primarily through their payment of quotas. Concessional lending and debt relief for low-income countries are financed through separate contribution-based trust funds. The IMF's annual operating expenses are largely paid for by the difference between its interest receipts and its interest payments.

The World Bank (comprised of the IBRD and IDA)

The International Bank for Reconstruction and Development (IBRD)

President, Paul Wolfowitz

Headquarter Location: Washington, DC

Founding Date: 1945

Number of Members: 184 governments

Number of Borrowers/Grantees: Approximately 136 governments

Number of Staff: 10,000

2004 Loan Volume: \$11 billion in 33 countries

Function: To extend loans and grants to governments primarily for purposes of economic integration and growth

Financing: IBRD lending to developing countries is primarily financed by selling AAA-rated bonds in the world's financial markets. While IBRD earns a small margin on this lending, the greater proportion of its income comes from lending out its own capital. This capital consists of reserves built up over the years and money paid in from the Bank's 184 member country shareholders. The IBRD's income also pays for World Bank operating expenses and has contributed to IDA and debt relief.

International Development Association (IDA)

Founding Date: 1960

Number of Borrowers: 81

2004 Volume of credits and grants: \$9 billion. From fiscal year 2006-09, about \$18 billion will be extended in credits and grants to low-income countries. This represents an approximately 25 percent increase in

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overall resources over the previous replenishment, and is the largest expansion of IDA resources in two decades.

Financing: IDA is financed by contributions from 40 donor countries plus repayments of loan principal on 35-to-40-year, no-interest loans, which are then available for re-lending.

IDA, the world's largest source of interest-free loans and grant assistance to the poorest countries, is replenished every three years by 40 donor countries. Established in 1956, IFC is the largest multilateral source of loan and equity financing for private sector projects in the developing world.

The World Bank's private sector affiliates:

International Finance Corporation (IFC). Established in 1956, the IFC is the largest multilateral source of loan and equity financing for private sector projects in the developing world.

Multilateral Investment Guarantee Agency (MIGA). MIGA provides political risk insurance for foreign investors, protecting them against losses due to war or conflict, expropriation, or breach of contract by governments

The International Centre for Settlement of Investment Disputes (ICSID) was founded in 1966 to facilitate settlements of disputes between governments and foreign investors.

Suggestions for further reading:

The Report of the World Commission on the Social Dimension of Globalization, "A Fair Globalization: Creating Opportunities for All," 2004. <http://www.ilo.org/public/english/wcsdg/docs/report.pdf>

M. Weisbrot, D. Baker, and D. Rosnick, "The Scorecard on Development: 25 Years of Diminished Progress, Center for Economic and Policy Research, September 2005.

S. Anderson and John Cavanagh with Thea Lee, "A Field Guide to the Global Economy," The New Press and W.W. Norton & Co., 2005.

Human Development Report 2005: International Cooperation at a Crossroads: Aid, Trade and security in an unequal world.

A. Chua, "World on Fire: How Exporting Free Market Democracy Breeds Ethnic Hatred and Global Instability," Doubleday Books, 2003