

Pronouncement about the new IMF and WB strategies

AFTER THE SINGAPORE MEETING IN THE LIGHT OF THE LATIN AMERICAN REALITY

Poverty and inequality have remained at the same level or have increased in recent years in different countries in Latin America. This situation is reflected in the fact that millions of people do not have access to employment and basic services, by the increased flow of immigration toward the North and the increasingly critical levels of despair and dissatisfaction.

The net flow of capital, human resources and natural goods toward rich countries for debt payments, remittance of profits or dividends and the deterioration of the terms of exchange continue and are in fact increasing, directly affecting the productivity, employment and quality of life in the region.

For the past 20 years the IMF and the WB have been applying structural adjustment policies whose central axis includes promoting private investment, freeing up trade and the privatization of collective goods and services of national interest (natural resources, energy, health, education, etc). At the same time these policies have sought to reduce the size of the State and public spending as well as direct taxes. Only later were poverty reduction programs added, designed and monitored by the WB.

The international bodies that spearhead these measures, which we consider to be the cause of the above mentioned social results, insist that in order to stay on the path of development or maintain GDP growth, we must further their application through:

- Opening up foreign trade under asymmetric relations;
- Direct foreign investment with an unrestricted capital flow;
- Subordination of national public law to private law at both a local and international level;
- To perfect the frameworks that regulate the business environment, strengthening the policy of competition.

This insistence takes place in a context in which the IMF is planning a reformed Mid Term Strategy that does not imply a significant change in the orientation of its work. Its objectives are:

- The supervision and monitoring of our economies;
- Crisis prevention in countries with emerging markets;
- Financial support to low income countries, whose priority is debt alleviation;
- To concede greater participation to developing nations in IMF bodies.

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The IMF has launched this new strategy at a time when it is going through a three-tiered crisis: a crisis of legitimacy, a financial crisis and a crisis about its role and identity.

Its legitimacy is questioned by the failure of structural adjustment policies that have caused recession and greater poverty and by its incapacity to prevent financial crises in the countries it has been supervising and advising. The new crisis prevention support mechanisms the IMF is promoting for countries that have fulfilled all the measures it imposed essentially herald a crisis it will not be able to avoid.

The financial crisis has grown worse, among other reasons, because of the decision on the part of big countries with middle incomes to anticipate credit payments to the fund, in order to have greater autonomy in the management of their economies.

On the other hand, its support for low income countries has not been effective given the different conditions it has demanded. The debt alleviation failed to reach the necessary scope and has not been accompanied by a move toward inclusive and sustainable development or by an indispensable progressive and equitable tax reform.

Originally the role and identity of the IMF were related to the equilibrium in the Balance of Payments and the development of trade. Its objective was to contribute to economic stability in member countries and improve trade and financial relations. After the monetary crisis in the United States and its separation from the gold standard at the beginning of the 1970s, the Fund changed its role and identity, placing itself at the service of the interests of developed nations and international financial groups. Aside from being a creditor, the IMF systematically intervened in the economies of debtor nations to guarantee the payment of debt services through structural adjustment and Stand By credit measures. This new role carried out by the IMF has been repeatedly denounced by sectors that defend the interests of the South.

The bias in the process begun by the World Bank on good governance is interventionist. It designs, finances and implements programs that seek to carry out judicial reform, combat corruption, decentralize public management, improve public debt management, carry out tax reforms and even reforms in public administrations. In summary, the World Bank intervenes in democratic State institutions (judicial branch, executive and legislative branches and control bodies) promoting market mechanisms in public administration that facilitate transnational investment. The aim is culminate what was set out by the Washington Consensus more than 15 years ago.

For these actions that do not correspond to its original mission, the World Bank would earmark close to \$20 million dollars, which join the enormous and disproportionate debt that our intervened nations already carry.

The Bank has created a Sanction Committee for cases of corruption, however, this role should be assumed by the competent jurisdictional channel, principally at a national level

like Comptroller Generals at a state level and watchdog committees as a civil society level in each country. In the international arena there is a need for economic Tribunals such as the International Tribunal on Sovereign Debt while both courts such as the International Criminal Court and the International Justice Court should assume this role. However, currently the Bank seeks to act both as judge and jury when in reality it is one more actor in the financial architecture that could be capable of being involved in corrupt acts.

In terms of corruption, the focus of the Bank reduces its causes to actions carried out by States in the south and the assumption that they distort the market and do not help overcome poverty. It does not consider corruption to be a systemic problem that also involves the private sector, in particular transnational corporations. Here, programs that the bank finances (anti-corruption advice) include work in the communication media and the promotion of social responsibility. This is to say that the Bank will also finance ideological components.

PROPOSALS

1. Formulation and implementation of an International Financial Code based on human economic, social and environmental rights where foreign debt accords are barred from being instruments of political pressure allowing a creditor State or a body controlled by creditor State to impose unsustainable conditions on a debtor state, particularly reflected in structural adjustment.

The financial system should serve to impel economies in development and not the opposite.
2. Creation of a Latin American monetary regulation body that will use the financial code as a framework, based on the structure of the Latin American Reserves Fund (FLAR) with more committed support from the Mercosur governments and others. For this reason it is urgent that Latin American States assume this proposal and that a Latin American conference be convened to launch this body in the light of discussions that are being carried out in Asia to this end.
3. In critical cases, IMF loans subject to economic policy conditions should be substituted by unconditional loans to support the balance of payments through a fund that is managed by the Latin American regulation body. The debts of countries that still have agreements with the IMF should be annulled and those that do not have debts but do have contingency credit agreements should liberate themselves in order to regain autonomy in the definition of policies.

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4. The International Monetary Fund only occupy itself with gathering and providing information and serving as an analytical bridge between debtors and creditors. The IMF should render accounts to the UN General Assembly about its progress and advances and should be permanently monitored by an international network of civil society organizations.
5. A referendum should be carried out following the one held in Brazil on the FTAA in 2004 allowing the population to voice its opinion about the role of the IMF in view of the applied policies and their effects. The population as a whole is aware of the role of the IMF and has the experience of the last two and a half decades.
6. Initiatives against corruption should be aimed at promoting an international agreement against impunity that contains aspects such no statute of limitations on corruption crimes, audits of financial process, in particular the foreign debt and the democratization of world institutions in order to begin a process to affirm a world ethic. We consider that the Bank is not an actor called to lead anti-corruption and good governance actions.
7. The international promotion of actions against corruption should be assumed by UN human rights Protection Bodies in alliance with global civil society as the good governance of countries in the south depends principally on the inclusive agreements between work and capital that guarantee the effective enjoyment of economic, social, civil, political and cultural rights. For this, a special office should be created within the United Nations to combat corruption and it should be separated from the office to combat drugs.

At the same time, there is a need to strengthen special bodies for the prevention, persecution and sanction of corruption cases and the more active participation of civil society in each country in the framework of a national system to combat corruption.
8. It is necessary for our countries to carry out a profound restructuring of the internal debt and to carry out reform in the tax system that will make them more progressive and more efficient in order to provide the State with adequate resources for the fulfillment of its responsibilities to achieve the elimination of poverty and exclusion as well as its causes.
9. Fundamental issues such as debt negotiations, the liberalization of Trade and funding for development that affect all citizens should be the objective of a national process that is open and transparent with broad-based democratic participation and full access to all the necessary information and does not only involve a reduced group of officials from International Bodies and government officials as has been the traditional practice in these negotiations.
10. LATTINDADD will join the Global Action Mobilizations in the month of September.