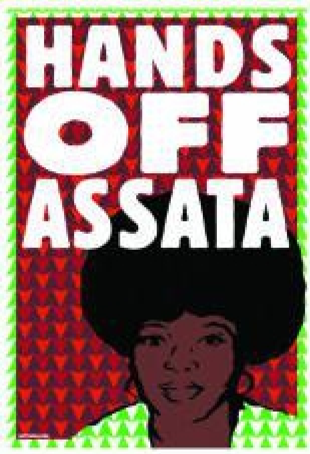
The World Bank and The International Monetary Fund



Through loans, often to governments whose constituents suffer the most under the global economy, and "structural adjustment" policies, the World Bank (WB) International Monetary Fund (IMF) has kept most nations of the global south in poverty. *Conditions on accepting loans ensure open market access for corporations while cutting social spending on programs such as education, health care and production credits for poor farmers.*

Created after World War II to help avoid Great Depression-like economic disasters, the World Bank and the IMF are the world's largest public lenders, with the Bank managing a total portfolio of $200 billion and the Fund supplying member governments with money to overcome short-term credit crunches.

But when the IMF and the WB lend money to debtor countries, the money comes with strings attached. These strings come in the form of policy prescriptions called "structural adjustment policies." These policies—or SAPs, as they are sometimes called—require debtor governments to open their economies to penetration by foreign corporations, allowing access to the country's workers and environment at bargain basement prices.

Structural adjustment policies mean across-the-board privatization of public utilities and publicly owned industries. They mean the slashing of government budgets, leading to cutbacks in spending on health care and education. They mean focusing resources on growing export crops for industrial countries rather than supporting family farms and growing food for local communities. And, as their imposition in country after country in Latin America, Africa, and Asia has shown, they lead to deeper inequality and environmental destruction.

Read ***Why the World Bank Must Be Reformed and How We Can Do It***

Resources:

- ***Top Ten Reasons to Oppose the IMF***
- ***Five Case Studies***
- ***The Origins of the IMF and World Bank***
- ***WB/IMF Fact Sheet***
- ***WB/IMF FAQs***

Free Trade Impacts On:

- ***Food Security, Farming***
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The Origins of the IMF and World Bank

The World Bank and International Monetary Fund (IMF) were created at the end of World War II by the U.S. and British governments. During the war the business classes of Europe were either supporting the Nazis, getting their banks and factories bombed into oblivion or they fled Europe with all the money they could carry. On the other hand, socialists, communists and anarchists had high credibility because they were the leaders of the Resistance to Nazi occupation. In order to prevent leftists from coming to power in western Europe, it was crucial to U.S. and British elites to get the business classes back into power. This required international institutions that would promote capitalist policies and strengthen the power of the corporate sector.

The World Bank focused on making loans to governments in order to rebuild railroads, highways, bridges, ports and other "infrastructure", i.e., the parts of the economy that are not profitable for private companies to *build so they are left to the public sector (the taxpayers). After an initial focus on western Europe the World Bank shifted its lending toward the third world.*

The IMF was established to smooth world commerce by reducing foreign exchange restrictions and using its reserve of funds to lend to countries experiencing temporary balance of payments problems so they could continue trading without interruption. This pump-priming of the world market would benefit all trading nations, especially the biggest traders, the U.S. and England.

The unwritten goal of the IMF and World Bank was to integrate the elites of all countries into the capitalist world system of rewards and punishments. The billions of dollars controlled by the IMF and World Bank have helped to create greater allegiance of national elites to the elites of other countries than they have to their own national majorities. When the World Bank and IMF lend money to debtor countries the money comes with strings attached. The policy prescriptions are usually referred to as "structural adjustment" and they require that debtor governments open their economies up to penetration by foreign corporations, allowing them access to the workers and natural resources of the country at bargain basement prices.. Other policies imposed under structural adjustment include: allowing foreign corporations to repatriate profits, balancing the government budget (often by cutting social spending), selling off publicly owned assets ("privatization") and devaluing the currency.

Many grassroots groups in the Third World talk about the recolonization of their countries as they steadily lose control over their own land, factories and services.

From the introduction to the book 50 Years Is Enough, edited by Kevin Danaher.

Why the World Bank Must Be Reformed and How We Can Do It

1. The globalization of market forces, vigorously promoted by the World Bank, creates greater inequality.

Over the past 30 years the globalization of the economy-led by the World Bank, the International Monetary Fund and transnational corporations-has proceeded at a quickening pace. These institutions have pressured governments to remove barriers to the cross-border flows of money and products. Advances in telecommunications and computer technology have made it possible for trillions of dollars in finance capital to zoom around the world, 24 hours a day, searching for the highest rate of interest.

This globalization of market forces has greatly increased inequality. Just 150 years ago there was not great inequality between the standards of living of people in the global north and those in Africa, Asia and Latin America. Now the richest 20 percent of the world's population receives 83% of the world's income, while the poorest 60% of the world's people receive just 5.6% of the world's income. The richest 20% of the world's population in northern industrial countries uses 70% of the world's energy, 75% of the world's metals, 85% of the world's wood, 60% of the world's food, and produces about 75% of the world's environmental pollution.

2. The World Bank is wrong in arguing that economic growth will solve the problems we face.

World Bank officials keep reassuring us that if we can just get economic growth rates high enough, these problems will be solved. We regularly hear the refain, "a rising tide floats all boats." But for those who don't own boats or have leaky boats, a rising tide means greater inequality between them and the more fortunate. The data shows that during a period of significant growth in world trade (1960 to 1989), global inequality got significantly worse: the ratio between the richest 20% and poorest 20% of the world population went from 30 to 1 to 59 to 1. We should also remember that unrestrained growth is the ideology of the cancer cell.

3. The real function of institutions such as the World Bank is not to promote "development" but rather to integrate the ruling elites of third world countries into the global system of rewards and punishments.

Because direct colonial control of the third world is no longer tolerated, northern elites need an indirect way to control policies implemented by third world governments. By getting the elites onto a debt treadmill and promising them new cash if they implement policies written in Washington, the World Bank can effectively control third world policies. You can see the effects right next door in Mexico. For more than a decade, Mexican elites have followed the "Washington consensus" of policy reforms designed by the World Bank. This has created some billionaires, yet for most of the 85 million Mexican people life is more difficult now than it was ten or twenty years ago. If the ruling PRI party did not control the police and military, its blatant corruption and disastrous economic policies would not be tolerated for long.

4. Evidence from many countries shows that the policies promoted by the World Bank are disastrous.

Whether you look at poor countries such as Somalia, Rwanda and Mozambique or well- endowed countries such as Ghana, Brazil and the Philippines, the policies pushed by the World Bank have worsened conditions for the majority. Evidence from dozens of countries under World Bank tutelage shows a similar pattern: structural adjustment policies may help countries pay off their foreign debts and may create some millionaires but the majority of the population suffers lower wages, reduced social services and less democratic access to the policy-making process.

5. The World Bank's emphasis on expanding exports has been disastrous for the environment.

As part of the standard structural adjustment package, the World Bank encourages countries to expand their exports so they will have more hard currency (dollars, yen) to make payments on their foreign debts. But this leads countries to overexploit their natural resources. They cut down their forests, which contributes to the greenhouse effect. They pump chemicals onto their land to produce export crops such as coffee, tea and tobacco, thus poisoning their land and water. They rip minerals out of the ground at a frantic pace, endangering human lives and the environment in the process. They overfish coastal and international waters, depleting a resource of the global commons.

6. The "free market" economic model being pushed on third world governments is not one the industrial countries used to develop themselves.

All the wealthy countries-the USA, Japan, Germany, England, France and the recent success stories such as Taiwan and South Korea-used a heavily state-interventionist model that had government play a strong role in directing investment, managing trade and subsidizing chosen sectors of the economy. The United States was in many ways the "mother country" of protectionism, showing other wealthy countries how to do it. Would we have a big electronics industry or nuclear power industry were it not for the massive government subsidy program called the Pentagon?

7. Globalization-from-above is being rejected and millions of people all over the world are struggling to build globalization-from-below.

Globalization-from-above is controlled by wealthy elites and driven by a hunger for more wealth and power. But there is another form of globalization made up of grassroots alliances of human rights activists, trade unions, women's organizations, environmental coalitions and farmers organizations. This people-centered form of globalization does not have the amount of money or guns possessed by the elites but it does have moral authority. Just think about the contrast between the dominant system's focus on greed and our focus on meeting human needs. This alternative vision calls for more openness and accountability by institutions such as the World Bank and transnational corporations. It calls for raising wages, health and safety standards in the third world to bring them up to first world levels, rather than driving first world standards downward. It calls for stewardship of natural resources that will preserve something of the environment for our grandhcildren to enjoy. It seeks to redefine self- interest so that it is more in line with the common interest of humanity. The problem confronting us is how to get the leaders of the World Bank to listen to our demands for reform.

An Easy Way to Pressure the World Bank for Change

The World Bank gets most of its capital by selling bonds to wealthy investors. If we could pressure large institutional funds (e.g., university endowments and state worker pension funds) to stop buying World Bank bonds as a way to protest the Bank's destructive policies, we could exert serious pressure on the Bank.

Just think about the huge impact the divestment campaign had on South Africa's white minority rulers during the closing days of apartheid. The divestment struggle also raised a key question: who controls how capital is invested and why isn't it a more democratic process?

Many institutions such as universities and retirement funds purchase bonds issued by the World Bank. The name appearing on the bonds will be the World Bank's formal name: International Bank for Reconstruction and Development. These are fixed rate securities which are sold by underwriters such as Goldman Sachs, Fidelity, First Boston, Credit Suisse and many Japanese banks. The bonds pay a good rate of return and are considered safe investments because they usually carry a triple-A rating. They are not officially insured by the U.S. government but, as one bond trader told us, the U.S. government would not stand by and let the World Bank default on its bonds. In other words, the U.S. taxpayer is the ultimate insurer of these bonds-just as we were forced to bail out the Wall Street speculators and Mexican financiers during Mexico's crash in early 1995.

See also: World Bank Bond Boycott Campaign

The World Bank Bonds Boycott is an international grassroots campaign that is building moral, political, and financial pressure on the World Bank. The World Bank raises most of its funds by issuing bonds. Ordinary *people, through their pension funds, labor unions, churches, municipalities, and universities are exerting pressure for change on the World Bank by refusing to buy its bonds.*

The campaign links social movements in the global South which are challenging harmful World Bank policies with activists and networks in the North which are using the boycott to reclaim democracy at home.

The campaign demands an end to the World Bank's harmful "structural adjustment" policies; 100% debt cancellation; and an end to environmentally destructive projects, especially for oil, gas, mining, and dams.

http://www.econjustice.net/wbbb/

Top Ten Reasons to Oppose the IMF

What is the IMF?

Also available as a pre-formatted flier. (PDF 35kb)

The International Monetary Fund and the World Bank were created in 1944 at a conference in Bretton Woods, New Hampshire, and are now based in Washington, DC. The IMF was originally designed to promote international economic cooperation and provide its member countries with short term loans so they could trade with other countries (achieve balance of payments). Since the debt crisis of the 1980's, the IMF has assumed the role of bailing out countries during financial crises (caused in large part by currency speculation in the global casino economy) with emergency loan packages tied to certain conditions, often referred to as structural adjustment policies (SAPs). The IMF now acts like a global loan shark, exerting enormous leverage over the economies of more than 60 countries. These countries have to follow the IMF's policies to get loans, international assistance, and even debt relief. Thus, the IMF decides how much debtor countries can spend on education, health care, and environmental protection. The IMF is one of the most powerful institutions on Earth -- yet few know how it works.

1. ***The IMF has created an immoral system of modern day colonialism that SAPs the poor***

   The IMF -- along with the WTO and the World Bank -- has put the global economy on a path of greater inequality and environmental destruction. The IMF's and World Bank's structural adjustment policies (SAPs) ensure debt repayment by requiring countries to cut spending on education and health; eliminate basic food and transportation subsidies; devalue national currencies to make exports cheaper; privatize national assets; and freeze wages. Such belt-tightening measures increase poverty, reduce countries' ability to develop strong domestic economies and allow multinational corporations to exploit workers and the environment A recent IMF loan package for Argentina, for example, is tied to cuts in doctors' and teachers' salaries and decreases in social security payments.. The IMF has made elites from the Global South more accountable to First World elites than their own people, thus undermining the democratic process.

2. ***The IMF serves wealthy countries and Wall Street***

   Unlike a democratic system in which each member country would have an equal vote, rich countries dominate decision-making in the IMF because voting power is determined by the amount of money that each country pays into the IMF's quota system. It's a system of one dollar, one vote. The U.S. is the largest shareholder with a quota of 18 percent. Germany, Japan, France, Great Britain, and the US combined control about 38 percent. The disproportionate amount of power held by wealthy countries means that the interests of bankers, investors and corporations from industrialized countries are put above the needs of the world's poor majority.

3. ***The IMF is imposing a fundamentally flawed development model***

   Unlike the path historically followed by the industrialized countries, the IMF forces countries from the Global South to prioritize export production over the development of diversified domestic economies. Nearly 80 percent of all malnourished children in the developing world live in countries where farmers have been forced to shift from food production for local consumption to the production of export crops destined for wealthy countries. The IMF also requires countries to eliminate assistance to domestic industries while providing benefits for multinational corporations -- such as forcibly lowering labor costs. Small businesses and farmers can't compete. Sweatshop workers in free trade zones set up by the IMF and World Bank earn starvation wages, live in deplorable conditions, and are unable to provide for their families. The cycle of poverty is perpetuated, not eliminated, as governments' debt to the IMF grows.

4. ***The IMF is a secretive institution with no accountability***

   The IMF is funded with taxpayer money, yet it operates behind a veil of secrecy. Members of affected communities do not participate in designing loan packages. The IMF works with a select group of central bankers and finance ministers to make polices without input from other government agencies such as health, education and environment departments. The institution has resisted calls for public scrutiny and independent evaluation.

5. ***IMF policies promote corporate welfare***

   To increase exports, countries are encouraged to give tax breaks and subsidies to export industries. Public assets such as forestland and government utilities (phone, water and electricity companies) are sold off to foreign investors at rock bottom prices. In Guyana, an Asian owned timber company called Barama received a logging concession that was 1.5 times the total amount of land all the indigenous communities were granted. Barama also received a five-year tax holiday. The IMF forced Haiti to open its market to imported, highly subsidized US rice at the same time it prohibited Haiti from subsidizing its own farmers. A US corporation called Early Rice now sells nearly 50 percent of the rice consumed in Haiti.

6. ***The IMF hurts workers***

   The IMF and World Bank frequently advise countries to attract foreign investors by weakening their labor laws -- eliminating collective bargaining laws and suppressing wages, for example. The IMF's mantra of "labor flexibility" permits corporations to fire at whim and move where wages are cheapest. According to the 1995 UN Trade and Development Report, employers are using this extra "flexibility" in labor laws to shed workers rather than create jobs. In Haiti, the government was told to eliminate a statute in their labor code that mandated increases in the minimum wage when inflation exceeded 10 percent. By the end of 1997, Haiti's minimum wage was only $2.40 a day. Workers in the U.S. are also hurt by IMF policies because they have to compete with cheap, exploited labor. The IMF's mismanagement of the Asian financial crisis plunged South Korea, Indonesia, Thailand and other countries into deep depression that created 200 million "newly poor." The IMF advised countries to "export their way out of the crisis." Consequently, more than US 12,000 steelworkers were laid off when Asian steel was dumped in the US.

7. ***The IMF's policies hurt women the most***

   SAPs make it much more difficult for women to meet their families' basic needs. When education costs rise due to IMF-imposed fees for the use of public services (so-called "user fees") girls are the first to be withdrawn from schools. User fees at public clinics and hospitals make healthcare unaffordable to those who need it most. The shift to export agriculture also makes it harder for women to feed their families. Women have become more exploited as government workplace regulations are rolled back and sweatshops abuses increase.

8. ***IMF Policies hurt the environment***

   IMF loans and bailout packages are paving the way for natural resource exploitation on a staggering scale. The IMF does not consider the environmental impacts of lending policies, and environmental ministries and groups are not included in policy making. The focus on export growth to earn hard currency to pay back loans has led to an unsustainable liquidation of natural resources. For example, the Ivory Coast's increased reliance on cocoa exports has led to a loss of two-thirds of the country's forests.

9. ***The IMF bails out rich bankers, creating a moral hazard and greater instability in the global economy***

   The IMF routinely pushes countries to deregulate financial systems. The removal of regulations that might limit speculation has greatly increased capital investment in developing country financial markets. More than $1.5 trillion crosses borders every day. Most of this capital is invested short-term, putting countries at the whim of financial speculators. The Mexican 1995 peso crisis was partly a result of these IMF policies. When the bubble popped, the IMF and US government stepped in to prop up interest and exchange rates, using taxpayer money to bail out Wall Street bankers. Such bailouts encourage investors to continue making risky, speculative bets, thereby increasing the instability of national economies. During the bailout of Asian countries, the IMF required governments to assume the bad debts of private banks, thus making the public pay the costs and draining yet more resources away from social programs.

10. ***IMF bailouts deepen, rather then solve, economic crisis***

    During financial crises -- such as with Mexico in 1995 and South Korea, Indonesia, Thailand, Brazil, and Russia in 1997 -- the IMF stepped in as the lender of last resort. Yet the IMF bailouts in the Asian financial crisis did not stop the financial panic -- rather, the crisis deepened and spread to *more countries. The policies imposed as conditions of these loans were bad medicine, causing layoffs in the short run and undermining development in the long run. In South Korea, the IMF sparked a recession by raising interest rates, which led to more bankruptcies and unemployment. Under the IMF imposed economic reforms after the peso bailout in 1995, the number of Mexicans living in extreme poverty increased more than 50 percent and the national average minimum wage fell 20 percent.*

http://www.globalexchange.org/resources/wbimf/oppose

World Bank / IMF FAQs

What is the World Bank?

Created at the Bretton Woods Conference in 1944, The World Bank Group is comprised of five agencies that make loans or guarantee credit to its 177 member countries. In addition to financing projects such as roads, power plants and schools, the Bank also makes loans to restructure a country's economic system by funding structural adjustment programs (SAPs). The Bank manages a loan portfolio totaling US$200 billion and last year loaned a record US$28.9 billion to over 80 countries.

What is the IMF?

Also created at the Bretton Woods Conference, the mission of the International Monetary Fund (IMF) is to supply member states with money to help them overcome short-term balance-of-payments difficulties. Such money is only made available, however, after the recipients have agreed to policy reforms in their economies-- in short, to implement a structural adjustment program.

Is structural adjustment working?

No. Structural adjustment has exacerbated poverty in most countries where it has been applied, contributing to the suffering of millions and causing widespread environmental degradation. And since the 1980s, adjustment has helped create a net outflow of wealth from the developing world, which has paid out five times as much capital to the industrialized countries of the North as it has received.

I know there are a lot of qualified people at the World Bank and IMF who are experts in economics and other fields. If structural adjustment doesn't work, then why are they promoting it?

The wealthy Northern countries which control the World Bank and IMF dictate the agendas of these institutions, and their interests are best served by defending the status quo. Furthermore, the Bank's staff is currently dominated by economists who have spent their careers defending the validity of neoclassical economics, the foundation of the World Bank model of development. This orthodox view holds sacred the efficiency of free markets and private producers and the benefits of international trade and competition. Given the lack of accountability to outside parties, there is little incentive for the Bank and IMF to alter the design of structural adjustment, even when faced with mounting evidence attesting to the failure of these programs.

I hear a lot about the debt crisis in the Third World and know that many of the loans are owed to commercial banks and Northern governments. People say that some or all of this debt should be canceled to give developing countries a chance to recover economically. Shouldn't they pay?

Much of this debt dates back to 1970s, when it was lent irresponsibly by commercial banks and borrowed recklessly by foreign governments, most of which were not popularly elected and which no longer hold power. The advent of the debt crisis, which occurred in the early 1980s due to a worldwide collapse in the prices of commodities that developing countries export (e.g., coffee, cocoa) and to rising oil prices and interest rates, forced these countries into a position where they were unable to make payments. Yet there's no such thing as bankruptcy protection for a country, regardless of the circumstances. When the U.S. department store Macy's filed for bankruptcy under chapter 11 in January 1992, it received instant protection from creditors and working capital to keep open. At the same time, when Russia told the West that it could not meet government had to wait for more than a year before the IMF provided financial help.

What is relationship the between debt and structural adjustment?

Since the 1980s the debt situation has steadily worsened, so that now the total debt of the developing world equals about one-half their combined GNP and nearly twice their total annual export earnings. Because of this crushing debt-service burden, foreign governments have virtually no bargaining power when negotiating a structural adjustment program and must accept any conditions imposed by the World Bank and the IMF. And SAPs themselves, by orienting economies toward generating foreign exchange, are designed to ensure *that debtor countries continue to make debt payments, further enriching Northern creditors at the expense of domestic programs in the South.*

How's the World Bank's record on responsible lending?

In 1992, an internal World bank review found that more than a third of all Bank loans did not meet the institution's own lending criteria and warned that the Bank had been overtaken by a dangerous "culture of approval." Bank officials, in other words, felt heavy pressure to push through new loans even when presented with overwhelming evidence that the project in question was ill advised.

Who makes decisions at the World Bank and IMF?

Decisions at the World Bank and IMF are made by a vote of the Board of Executive Directors, which represents member countries. Unlike the United Nations, where each member nation has an equal vote, voting power at the World Bank and IMF is determined by the level of a nation's financial contribution. Therefore, the United States has roughly 17% of the vote, with the seven largest industrialized countries (G-7) holding a total of 45%. Because of the scale of its contribution, the United States has always had a dominant voice and has at all times exercised an effective veto. At the same time, developing countries have relatively little power within the institution, which, through the programs and policies they decide to finance, have tremendous impact throughout local economies and societies. Furthermore, the President of the World Bank is by tradition an American, and the IMF President is a European.

How is it that U.S. business and other companies benefit from the lending programs at the World Bank?

Development projects undertaken with World Bank financing typically include money to pay for materials and consulting services provided by Northern countries. U.S. Treasury Department officials calculate that for every U.S.$1 the United States contributes to international development banks, U.S. exporters win more than U.S.$2 in bank-financed procurement contracts.

Why is this bad?

Given this self-interest, the Bank tends to finance bigger, more expensive projects--which almost always require the materials and technical expertise of Northern contractors--and ignores smaller-scale, locally appropriate alternatives. The mission of the World Bank to alleviate poverty, not provide business for U.S. contractors.

For more information on the World Bank, the IMF and the 50 Years I s Enough Network contact:

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World Bank / IMF Fact Sheet

What are the IMF and World Bank?

The IMF and World Bank have been empowered by the governments which control it (led by the U.S., the U.K., Japan, Germany, France, Canada, and Italy -- the "Group of 7," which holds over 40% of the votes on their boards) with imposing economic austerity policies in the countries of the so-called "Third World" or "global South." Once Southern countries build up large external debts, as most have, they cannot get credit or cash anywhere else and are forced to go to these international institutions and accept whatever conditions are demanded of them. None of the countries has emerged from their debt problems; indeed most countries now have much higher levels of debt than when they first accepted IMF/World Bank "assistance."

Structural Adjustment Programs (SAPs)

The World Bank is best known for financing big projects like dams, roads, and power plants, supposedly designed to assist in economic development, but which have often been associated with monumental environmental devastation and social dislocation. In recent years, about half of its lending has gone to programs indistinguishable from the IMF's: austerity plans that "reform" economic policies by suffocating the poor and inviting corporate exploitation.

Although the IMF finally got some of the criticism due it with the East Asian financial crisis (where it imposed austerity programs on South Korea, Indonesia, and Thailand), the two institutions continue to be the chosen *tools of the political and business elites for ruling the global economy, and run, to one degree or another, about 90 Southern countries' economies. These countries are forced to adopt policies even more committed to deregulation and withdrawal of government from insuring public welfare than those in the U.S. Considering how impoverished many of these countries were to start with, the effects of these policies have been predictably devastating. The of "emerging market success stories" we sometimes read about generate wealth which goes to very small segments of the populations, and much of it ends up in the North. The great majority of the people of the South are enduring increased poverty, decreased access to basic services, and decreased control over their own economies.*

> *The IMF/World Bank conditions -- "structural adjustment programs" -- force Southern countries to promote sweatshops, exports to rich countries, and high-return cash investment. The resulting increase in international commerce -- corporate globalization -- led to demands by corporations and investors for ways to lock in their privileges and protection against the perceived danger of governments seizing assets or imposing new regulations. The WTO was the answer to those demands, an institution whose secret tribunals can overrule national laws if they are found to violate the rights of corporations.*

SAPs Work for Corporations and Elites--Impoverish the Rest

How--and why--do the structural adjustment programs that the IMF & World Bank impose create conditions that multinational corporations desire and that devastate most people in the Southern countries? A look at the most common SAP conditions show how economic "advice" is used to maintain the interests of the wealthy at the expense of continued suffering for the bulk of the people.

IMF / WORLD BANK CONDITION	IMPACT ON ELITE (Corporations, Investors, Wealthy)	IMPACT ON POOR
Cut Social Spending: *Reduce expenditures on health, education, etc.* *[IMF claims it is now making sure such spending goes up, but often it's to put in place systems to collect fees.]*	*More debts repaid, including to World Bank and IMF.*	*Increased school fees force parents to pull children--usually girls--from school. Literacy rates go down.* *Poorly-educated generation not equipped for skilled jobs* *Higher fees for medical service mean less treatment, more suffering, needless deaths.* *Women, already overburdened, must provide healthcare and caretaking for family members.*
Shrink Government: *Reduce budget expense by trimming payroll and programs.*	*Fewer government employees means less capacity to monitor businesses' adherence to labor, environmental, and financial regulations* *Frees up cash for debt service*	*Massive layoffs in countries where government is often the largest employer* *Makes people desperate to work at any wage*
Increase Interest Rates: *to combat inflation, increase interest charged for credit and awarded to savings*	*Investors find country a profitable place to park cash, though they may pull it out at any moment*	*Small farmers and businesses can't get capital to stay afloat.* *Small farmers sell land, work as tenants or move to worse lands.* *Businesses shut down, leaving workers unemployed*
Eliminate Regulations on Foreign Ownership of Resources and Businesses	*Multinational corporations can purchase or start enterprises easily* *Countries compete for foreign investment by offering tax breaks, low wages, free trade zones*	*Control of entire sectors of economy can shift to foreign hands* *Governments offer implicit pledges not to enforce labor and environmental laws.*

	Once in the country, corporations can turn to WTO for enforcement of "rights"	
Eliminate Tariffs: *Stop collecting taxes on imports; these taxes are often applied to goods which would compete with domestically-produced goods*	*Allows foreign goods easy access to domestic markets* *Makes luxury items cheaper for those in the country* *Allows country to comply with WTO agreements*	*Makes it harder for domestic producers to compete against better-equipped and richer foreign suppliers* *Leads to closure of businesses and layoffs*
Cut Subsidies for Basic Goods: *Reduce government expenditures supporting reduced cost of bread, petroleum, etc.*	*Frees up more money for debt payments*	*Raises cost of items needed to survive* *Most frequent flashpoint for civil unrest*
Re-orient Economies from Subsistence to Exports: *Give incentives for farmers to produce cash crops (coffee, cotton, etc.) for foreign markets rather than food for domestic ones; encourage manufacturing to focus on simple assembly (often clothing) for export rather than manufacturing for own country; encourage extraction of valuable mineral resources*	*Produces hard currency to pay off more debts* *Law of supply and demand pushes down price of commodities as more countries produce more, meaning guaranteed supply of low-cost products to export markets* *Local competition eliminated for multinational corporations* *Increased availability of low-cost labor*	*Law of supply and demand pushes down price of commodities as more countries produce more, meaning local producers often lose money* *Best lands devoted to cash crops; poorer land used for food crops, leading to soil erosion* *Food security threatened* *Women often relegated to gathering all food for family while men work for cash* *Makes country more dependent on imported food and manufactured goods* *Forests and mineral resources (oil, copper, etc.) over-exploited, leading to environmental destruction and displacement*

So Why Do Countries Agree to SAPs?

With such unpopular policies, it is the rare government that can "sell" structural adjustment to its people, especially after 20 years of similar failed policies. The slogan "short-term pain for long-term gain" sounds hollow when people have heard it for a whole generation. SAPs encourage instability in democratic countries by forcing elected governments to institute measures which make them illegitimate among their people. It has been argued that the IMF prefers dictatorships to democratic governments, because dictators can more successfully impose SAPs. And once the rules are in place the WTO extends the attack on democracy by overruling any regulations that corporations claim interfere with their right to profits.

The fact that institutions based in Washington and largely controlled by the U.S. Treasury Department have been starving peoples around the world for two decades is a scandal. That people in the U.S. are barely aware of the fact is a disgrace.

SAPs are anti-democratic in more than one way. The institutions are correct in saying that the plans are formulated in part, and agreed to, by the governments. But the government officials involved are usually limited to the Finance Ministry and the Central Bank, usually among the most conservative, Northern-educated, and wealthy members of the government -- in other words, those most likely to agree with IMF economics and benefit from the policies. In many cases even they feel coerced into going along with IMF/World Bank demands. If they don't cooperate, the consequence can be a complete cut-off of credit because other lenders follow the lead of these institutions.

Read more here.

For more information, contact:

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Last and for now the least:

World Trade Organization

The World Trade Organization (WTO) is the most powerful legislative and judicial body in the world. *By promoting the free trade agenda of multinational corporations above the interests of local communities, working families, and the environment, the WTO has systematically undermined democracy around the world.*

Unlike United Nations treaties, the International Labor Organization conventions, or multilateral environmental agreements, WTO rules can be enforced through sanctions. This gives the WTO more power than any other international body. The WTO's authority even eclipses national governments.

In November 1999, 50,000 people went to Seattle to challenge this corporate agenda and to demand a more democratic, socially just and environmentally sustainable global economy. The protests succeeded in shutting down the trade talks and derailing the expansion of the WTO. Global Exchange stood with those outside the halls and rooms where lobbyists and government delegates negotiated, loudly declaring our opposition to the WTO because:

- *WTO rules are written by and for corporations, putting profits above people and the planet.*
- *WTO rules trample labor and human rights.*
- *WTO rules render environmental protections illegal.*
- *WTO rules stand between dying people and the medicine that will save their lives.*

Since the Battle in Seattle, the WTO has continued to meet in various inaccessible and remote locations around the world to forage onwards.

Read how social movements challenged the WTO in Seattle and what this has meant for activism.

Resources:

- ***Top Reasons to Oppose the World Trade Organization***
- ***The Assault on Public Services***
- ***The WTO Erodes Human Rights Protections***

Read the major updates on the WTO and the movement to stop its expansion:

- ***WTO Turnaround: Food, Jobs and Sustainable Development First!****, Deborah James, www.commondreams.org, December 6, 2011.*
- ***Globalization: Leaving the WTO Behind****, Deborah James, www.alternet.org, August 21, 2008.*
- ***Why the WTO Doha Round Talks Have Collapsed -- and a Path Forward****, by Lori Wallach and Deborah James, www.commondreams.org, August 14, 2006.*
- ***The Meaning of Hong Kong WTO****, www.commondreams.org, January 14, 2006.*
- ***The Walking Zombie of the WTO****, commondreams.org, March 12, 2005.*

Free Trade impacts on:

- ***Food Security, Farming***
- ***Environment***
- ***Investor Rights or Citizen Rights***
- ***Free Trade, the Environment, and Biotech***

Related issues:

- *Global Econ 101*

http://www.globalexchange.org/resources/wto