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Revelations concerning IMF assistance to developing countries

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WHEN the economic crisis of 1997 hit this country, a fair number of the citizenry questioned the wisdom of the Malaysian leadership for taking up the unconventional path to handle the problem.

The uncertainties were further perpetuated when some from the nation's middle-class and intelligentsia echoed criticisms levelled by "foreign experts" that the Malaysian way would only "screw up the country".

Of course, of late, given that nations which took up the International Monetary Fund and World Bank aid ended up in a mess, some changed their opinion.

But generally, the uncertainties prevailed. Doubts linger as to the wisdom of spurning the IMF and World Bank.

Especially unacceptable to the "liberals" are accusations by Prime Minister Datuk Seri Dr Mahathir Mohamad that the international financial bodies, especially the IMF, are on a secret mission to promote neo-colonialism.

To be fair, such accusations do sound far-fetched and can be perceived as extreme paranoia.

Yet, an article by London-based Observer which was published by the Jakarta Post on Tuesday reflected that there is more than meets the eye when it concerns the IMF and World Bank.

The article centred very much on Joseph Stiglitz, chief economist of the World Bank who was fired two years ago and not allowed a quiet retirement and the US Treasury Secretary's demand that he be excommunicated.

The reasons - Stiglitz had expressed mild dissent from globalisation World Bank-style.

The Observer article was very interesting as it drew the parallel of the Stiglitz story to that of a Cold War spy.

And reading the revelations of Stiglitz, it was not a sensationalised parallel.

The narration of Stiglitz about the real inside workings of the IMF, the World Bank and the banks (51 per cent owner of the US Treasury), was nauseating and especially scary.

For starters, Stiglitz pointed out that the World Bank's "Country Assistance Strategy", exclusively designed for every poor nation after careful in-country investigation, actually consisted of close inspection of five-star hotels.

It is concluded with a World Bank staff meeting a begging finance minister who is handed a restructuring agreement which has been pre-drafted for "voluntary" signature.

The bank then handed every finance minister, said Stiglitz, the same four-step programme.

Step One is privatisation which Stiglitz said could more accurately be called "briberisation".

He said rather than objecting to the sell-offs of state industries, national leaders using the World Bank's demands to silence local critics happily flogged their electricity and water companies.

"You could see their eyes widen" at the prospect of 10 per cent commissions for shaving a few billions off the sale price.

Stiglitz alleged that the US Government knew it, citing the 1995 Russian sell-off as the biggest "briberisation" with the knowledge of the US Treasury.

Most sickening to Stiglitz was that the US-backed oligarchs stripped Russia's industrial assets, with the effect that the corruption scheme cut national output nearly in half.

Step Two, according to Stiglitz, was capital market liberalisation which in theory allows investment capital to flow in and out but as in the case of Brazil and Indonesia, the money often flows out.

Cash, he said, came in for speculation in real estate and currency, then fled at the first whiff of trouble. A nation's reserves can drain in days and when that happens, to seduce speculators into returning, the IMF demands these nations raise interest rates to 30, 50 and 80 per cent.

To Stiglitz, the result was predictable, in which higher interest rates demolished property values, savaged industrial production and drained national treasuries.

Then, comes Step Three which was market-based pricing or simply the raising of food, water and cooking gas prices.

This, said Stiglitz, led to Step Three-and-a-half; which he described as the "IMF riot", which is again predictable.

"When a nation is down and out, the IMF takes advantage and squeezes the last blood out of them. They turn up the heat until finally, the whole cauldron blows up" - as when the IMF eliminated food and fuel subsidies in Indonesia in 1998.

Indonesia exploded into riots and so did Bolivia over water prices last year, and Equador's February riots were over the cooking gas prices increase imposed by the World Bank.

After these IMF riots, foreigners can then pick off remaining assets at fire-sale prices.

The last, Step Four, is about free trade by the rules of the World Trade Organisation and World Bank, which Stiglitz likens to the Opium Wars.

It is about opening markets, akin to the 19th century Europeans and present-day Americans who kicked down barriers to sales in Asia, Latin America and Africa while barricading their own markets against Third World agriculture.

In the Opium Wars, the West used military blockades while today, the World Bank can order financial blockade which is as effective and sometimes just as deadly.

There were a lot more said by Stiglitz and the writer of the article, Gregory Palast.

If Malaysians have doubts when the nation's leadership warn them of neo-colonialism and that there is no altruism when the West offers assistance to developing nations, they should probably review their stand.

These views, after all, did not come from Malaysians. They came from the white men and they should be right.