IMF sidesteps U.S. Congress

Approval of the seventh quota increase will have lasting impact on politics in the Fund.

For the first time in the 30-year history of the International Monetary Fund (IMF), the global policy body allegedly founded to uphold stable world monetary relations, a large funding decision has been passed without prior approval by the U.S. Congress.

On Dec. 1, IMF authorities made public the fact that the so-called seventh quota increase, an increase in member contributions, had been passed by the necessary 75 percent of membership votes. As this column goes to press, the U.S. Congress still had not approved the U.S. portion of the increased contribution, which is worth $5.6 billion. Through a series of scheduling manipulations engineered by conservative Republicans, the IMF quota increase had been buried under a pile of paperwork still being processed by the lame-duck Congress.

Since the IMF was founded, the United States has been its single largest contributor of funds, which permitted the U.S. a 20 percent voting share on all decisions requiring a full membership vote. Effectively, however, the U.S. voting share has been more like 40 percent, since prior to this week's developments, approximately 20 small underdeveloped countries always voted in the IMF as part of a U.S.-controlled bloc.

What had occurred was that the 20 or so countries traditionally associated with the U.S. bloc had apparently broken ranks, sent in their governments' authorizations, and allocated to the IMF a funding increase—without congressional approval. The fact that this has occurred throws open a wide range of possibilities about what is going to happen to the IMF—and the U.S. role in the IMF—during 1981.

If the lame-duck Congress does not pass the quota increase, the U.S. voting share will drop to 12 percent. In addition, the IMF will have a lot less liquidity—namely, $5.6 billion, which is the U.S. share of the $25 billion quota rise—than it was expecting.

Late last week, Sen. Daniel Inouye (D-Hawaii) rushed an emergency amendment into the Senate Appropriations Committee to attach the $5.6 billion appropriation to the Continuing Appropriations bill up for vote this week. As Inouye put the finishing touches on the amendment, London's *Financial Times* printed a warning that if the quota increase weren't passed, the IMF would be bankrupt by 1981. Adding to the IMF's straits, the *FT* noted, was the boycott on special loans imposed by Saudi Arabia against the IMF last September as retaliation for the IMF refusal to give observer status to representatives of the Palestine Liberation Organization.

Within 48 hours of the *FT* commentary and Inouye's initiative in Congress, the Tunisian government sent to IMF headquarters in Washington their government's approval of the quota increase. Tunisia controls .16 percent of the IMF's votes; the arrival of the Tunisian telegram pushed the total vote over 75 percent.

Asked by *EIR* what other small countries had sent in approvals in recent weeks, the IMF's Office of External Relations insisted that this information was secret. A Washington thinktanker who has been active in efforts to "reform" the IMF thought the quota had passed, because IMF officials had succeeded in getting out the word to Third World governments that if the quota didn't pass, "there would be no money for loans next year."

Recently, the IMF executive directors approved a highly unusual loan that apparently contributed to persuading traditional U.S.-connected countries to bypass Congress's stalling action. In late November, the IMF approved an unprecedented $1.7 billion to Pakistan, the largest ever to a Third World country.

While this may have helped in giving the impression that the IMF directors were making an effort to be more open-handed in lending policies, the Pakistan loan also generated a degree of panic in some Third World countries: in one swoop, it ate up 15 percent of all available funds in the supplemental IMF facility used specifically to finance oil payments deficits.

Meanwhile, the IMF's managing director, Jacques de Larosière, arrived in Saudi Arabia this week to resume sensitive negotiations on a Saudi multi-billion loan to the IMF. The negotiations are expected to be protracted. Political control of IMF lending policies is up for grabs.