'Pre-emptive conditionalities'

Countries are forced into World Bank/IMF "structural adjustment" as private lending dries up.

Since the Mexican financial crisis erupted one year ago, the World Bank and the International Monetary Fund have been lowering the boom on middle-income developing countries. The claim is made that even though many of these countries have kept their external payments under control until now, unless they radically alter their economic policies, they will financially collapse like the major nations of Ibero-America.

Allegedly to prevent countries such as the Philippines, Thailand, Korea, Turkey, and Egypt from the brink of doom, the World Bank has been offering them special "structural adjustment" loans. In return for these funds, usually in the range of one to several hundred million dollars, the receiving country is expected to entirely reorganize its national economic policy along austerity lines.

Were it not for the fact that since August 1982, private loans for developing countries have been practically unavailable, most developing-country governments would turn down the World Bank's false generosity.

But private lending fell 70 percent over the past 12 months—and whatever lending is still going on is confined strictly to the refinancing of interest payments on old debts.

The World Bank reports that over the past year, 10 percent of all of its lending is now going into such "structural adjustment" programs.

The "logic" behind these World Bank's packages was stated simply in a recent issue of the *International Monetary Fund Survey*:

"The number of countries incurring arrears has been rising almost continuously; of the 44 countries incurring arrears during 1975–82, only 8 countries have managed to eliminate them. This persistent, and, to a certain degree, self-perpetuating nature of arrears underlines for member countries [of the IMF] the importance of policies aimed at avoiding their initial incurrence."

The IMF and World Bank are thus arguing for "preventive" austerity to be broadly applied to the rest of the developing sector, modeled on the IMF "conditionalities" programs already in effect in the 44 countries cited above, which are officially in arrears.

The funds being dished out for implementation of such "preventive" programs of "structural adjustment" are funneled through the World Bank because, normally, governments don't go near the IMF until they are finally irreparably deadlocked in the negotiations with their creditors.

Why countries should be convinced to put themselves at the mercy of the IMF and World Bank prior to being declared in distress by their creditors was discussed in some detail in a recent profile in the *Neue Zürcher Zeitung* of Switzerland.

The *NZZ* is particularly concerned that the policy of "preventive austerity" be put into effect in Asia, warning that the relatively low size of the debt of individual Asian countries should not be allowed to determine how these economies are viewed by creditors.

Asserting that the developments in Ibero-America have taught the Asian nations a lesson, the *NZZ* gives special attention to the Philippines, where the implementation of IMF "adjustment" recommendations has recently helped to precipitate a full-scale political upheaval.

Under the headline, "Turning Point for Southeast Asia's Economies," the *NZZ* states: "At first glance, the total indebtedness of Asia . . . appears harmless. For the included seven countries, at the end of 1982, it equaled a cumulative level of nearly $110 billion. That is less than the current cumulative debt of Mexico and Brazil. However, to infer from that alone that there is no debt crisis in the Asian theater would be very reckless. . . . Southeast Asia has *learned* from the processes in South America, and has undertaken everything, to prevent a similar development.

"If one looks at the latest measures—such as the new budget in Thailand and in Taiwan, or the heavy-handed austerity measures in Indonesia and the declared willingness to save in the Philippines—it appears that" these countries are responding to the Ibero-American lesson.

In contrast to Ibero-America, however, *NZZ* continues, "Asia's debt mountain still stands upon a *healthy foundation*; that is, it is primarily composed of long-term obligations.

"Despite this, there exists no doubt, that individual countries will still have to manage their economies *very austerely,* in order to bypass a latent and entirely plausible financial crisis [emphases in the original]."