Bush wants World Bank 'privatization' shift

by Michael Billington

Angry resistance has postponed efforts by the Bush administration to force new conditions onto World Bank loans to the Third World. The U.S. wants the loans to include the condition that nations "privatize" their state-owned industries—i.e., sell them off to the highest bidder. The Bush administration expected easy passage of this change, but it hit a snag, when a meeting on June 20 of the World Bank board broke up in disagreement.

The World Bank, like its twin the International Monetary Fund (IMF), is already infamous for the imposition of "conditionalities" on loans to the Third World, demanding that austerity conditions be imposed on target populations in order to meet debt payments to the international banks, or face a cutoff of trade and credit. "Privatization" conditions are common in IMF demands on the Third World. However, the World Bank was supposedly designed to provide development assistance, and its charter allows it to lend only to governments, not to the private sector. U.S. Treasury officials are asking for a change in that charter, and in the meantime want the Bank to demand privatization in exchange for loans.

The International Finance Corp., the financial institution associated with the World Bank which lends to the private sector, is due for a recapitalization. U.S. Treasury Undersecretary David Mulford told the Congress earlier in June that negotiations among the United States, the World Bank, and the IFC had reached agreement that in exchange for U.S. support for increasing the capital of the IFC by $1 billion (nearly doubling its resources), the World Bank would do more to "promote" private enterprise in Third World countries—the polite way of insisting they sell-off their state sector. The expected routine approval of this agreement on June 20 resulted instead in "pandemonium," as one official described it to the *Washington Post,* when "extremely sharp criticism" of the U.S. strongarm methods resulted in U.S. withdrawal of support for the IFC capital increase.

Infrastructure would be hit hardest

The U.S. proposals, were they to be implemented, would further reduce any source of funds for fundamental infrastructure development in the Third World. The United States has increasingly propped up its collapsing productive economy by draining resources out of the developing sector at rates of over $30 billion per year. Practically the only money allowed into the Third World has been to refinance the debt (in connection with forced devaluations of currency), or in industries exploiting cheap labor and reaping a quick return—like the *maquiladoras* along the Mexican-U.S. border or the free trade zones on the China coast.

The World Bank, while functioning as a primary arm of the malthusian policymakers, has nonetheless been a source of at least some development funds during the "lost decade," as the 1980s have come to called in the Third World. Even that paltry flow of funds would be cut back under the U.S. plan. Mulford argued that the current policy of the Bank discourages governments from privatizing their state industries, since these industries occasionally get access to World Bank loans, while private industries do not. The opposite policy is clearly intended: If a government refuses to sell off its state industries, they will be cut off from any remaining development funds.

The only *reported* criticism of this policy at the bank board meeting came from U.S. allies who don't necessarily disagree with the policy, but objected to the way in which Washington tried to ram the policy through without consultation with the other members. However, a World Bank spokesman admitted that several developing nation representatives voiced concern with the content of the policy. The *Washington Post* pointed out that the U.S. had gone to some effort to try to reassure member nations that "a concern that public sector activities would be ignored by the Bank was misplaced."

Democratic leaders in the House have charged the Bush administration with following "a narrow ideological agenda" by insisting that the World Bank concentrate on the private sector. Reps. David Obey (D-Wisc.) and Matt McHugh (D-N.Y.) threatened to hold up funding for the IMF and for Bush's Enterprise for the Americas if the World Bank dispute is not solved.

AID demands privatization

The U.S. Agency for International Development (AID), responsible for U.S. government lending to developing nations, is also experimenting with new ways to force the "free market" methods that have proven such a dismal failure in the U.S. onto the rest of the world. Thailand, one of the Asian nations that is rapidly joining the "little dragons" of Taiwan, Korea, Singapore, and Hong Kong as a newly developed nation, has become the target of an experiment at AID called the Advanced Developing Country Strategy. There are enormous infrastructure projects that are needed in Thailand, especially the Mekong River development project and the digging of a canal across the Kra Isthmus, but the U.S. is not interested in such projects any longer. Instead, the strategy is to promote privatization, while trying to place the United States in a controlling position in directing investments, with a particularly careful eye on preventing Japanese domination of the Thai market.