

THE DEVELOPMENT GROUP FOR ALTERNATIVE POLICIES, INC.

*The Development GAP*

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THE OTHER WAR

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On the eve of the U.S. entry into the Gulf war 17 January, George Bush lamented "the damage ... being done to the fragile economies of the Third World" by Iraqi actions in Kuwait. The irony of that statement was not lost on the people of the South.

For over a decade the economic warfare being waged upon these "fragile economies" by the United States and U.S.-led international financial institutions has had devastating consequences. Debt-strapped countries have been forced by conditions attached to IMF and World Bank loans to reallocate resources to produce for stagnant export markets at the expense of meeting the needs of their populations. Health-care and education systems have been gutted, food-based agriculture undercut and the natural resources of these countries sapped in pursuit of this dead-end structural adjustment strategy.

This reality -- experienced daily by tens of millions of people from Mexico to Uganda -- is not well understood by the U.S. public, Western media or most policymakers. The Bush Administration and the World Bank have gone to great lengths to portray the opening up of Southern economies for Northern special interests as a necessary, though painful, process that the South must go through for its own good. But, after a decade of adjustment, Southern economies are now in worse shape than they have been in an entire generation, and the headlines and CNN reports of the first weeks of the Gulf war have only served to obscure the fact that this economic warfare continues unabated.

Negotiators are currently attempting to salvage the 'Uruguay Round' that could fundamentally alter the rules of international trade as governed by the General Agreement on Tariffs and Trade (GATT), with the United States pressing for the elimination of Southern barriers to Northern investment and trade in both goods and services. Meanwhile, the President is pushing on with his 'Enterprise for the Americas' Initiative, under which countries in this hemisphere signing bilateral agreements to receive minor debt relief from the United States would be required to promulgate economic adjustment and "open investment" policies that could inflict further environmental and development damage. Similarly, a proposed Free-Trade Agreement with Mexico has raised troublesome questions for environmentalists, workers, farmers and consumers throughout North America.

Meanwhile, the World Bank continues to do its bit to further open up the economies of the South. Even if shaken by the failures and tragic consequences of structural adjustment programs, the Bank continues to promote them under pressure from Northern financial and political interests. It has sought to cover its tracks by pontificating about the need to address poverty (a common Bank theme in the 1970s), but it refuses to back away from imposing the economic reforms that are intensifying the impoverishment of the South.

Ironically, in rediscovering poverty a decade later, the Bank has not only failed to recognize the social havoc caused by its policies in the 1980s; it has actually acknowledged that its much touted "poverty alleviation effort" will be undertaken within a structural adjustment policy framework. World Bank President Barber Conable has been clear on this point, stating at the Bank's Annual Meeting here in September that "(e)conomic growth is the cornerstone of successful development and poverty reduction" and structural adjustment is the "precondition for restoring growth in many countries..."

But many grassroots and non-governmental organizations (NGOs) differ with Conable's assessment of adjustment programs. They have witnessed environmental pollution brought about by industrial deregulation and have seen chemical-intensive, commodity-export agriculture push people off the land and into shanty-town poverty or onto agriculturally marginal land, tropical forests included. In Ghana, sometimes still heralded as an adjustment success story by the Bank, NGOs have documented the unfolding environmental disaster in the timber industry and the deterioration of economic and social conditions in the north, in the cocoa-growing region and in Accra during the Bank's watch. Even in the IMF's and Bank's favorite country, Chile, after 17 years of adjustment nearly half the country lives under the poverty line, with real wage levels sharply down and income distribution significantly skewed.

Three years ago, Moeen Qureshi, World Bank Senior Vice-President for Operations, referred to NGOs as "our eyes and ears," a sentiment that surfaced again in remarks he made here in early January. The words are nice, but they mean little. Not only does Qureshi view public consultation as a means for what he calls "...build(ing) public support for ... policy decisions" already taken, but nowhere in the documents prepared for taking the Bank into the poverty arena is there any reference to tapping the knowledge of local populations, popular organizations or other NGOs as a source of vital information.'

In the absence of such information and mechanisms of accountability, an institution like the Bank can claim as truth pretty much what it wants. And it has done so. In its 1990 World Development Report it played fast and loose with the statistics and information it claims it had so comprehensively gathered, selectively utilizing both data and country case material to "demonstrate" the effectiveness of adjustment policies. Its economists have even made the quite incredible claim that in Latin America poverty afflicts only seven percent of the population, allowing it to suggest that the Bank usually need not consider making fundamental changes in its lending operations in order to address what is essentially a marginal problem.

To their credit, some of the Bank's Executive Directors are impatient and dissatisfied with the proposed speed and scope of management's plan of action on the poverty front. But will they allow their people to continue to run away from the truth? It is difficult to feel optimistic that pressure to confront the failings of Bank policies will come from a Board dominated by international financial interests.

Yet the time is soon coming when action will be required. As the Bank begins to go from country to country, throwing money around in its attempt to "operationalize" its "new" poverty approach, it should take heed of its own staff's advice: ensure that there is a consistency between anti-poverty investments and the national policy context. Without gaining access to local-level information, however, the Bank cannot cut through the biases of its economists and managers to determine the true impact of the policies it has supported.

In light of this situation, 26 NGOs from around the world who constitute the NGO Working Group of an official NGO-World Bank Committee have challenged their Bank counterparts to undertake a joint exercise with local NGO representatives in a handful of mutually agreed-upon countries. An agreement was struck in November last year to identify key areas of difference between the two sides over the impact of adjustment -- for example, its effect on land use and distribution, the environment, resource allocations, real wage levels and income distribution -- and to jointly and comprehensively explore reality in key "adjustment countries". The information gathered and analyzed would then be used as a basis for advising countries on possible modifications of their national and sectoral policy programs and for reorienting, if necessary, the Bank's own policy framework and policy documents.

This opportunity to gain access to locally generated information may prove to be more than the Bank can handle. The Working Group's positions have been ignored for a decade -- just take its widely distributed critique of the Bank's adjustment policies, which is not reflected in the World Development Report. Only external pressure will move this agenda along.

In the meantime, the international economic policies promoted by the United States through the Bank, the IMF and the GATT have rendered the "fragile" economies of the South ever more vulnerable. But, while environmentalists and other activists clued into Third World realities have challenged the logic and intent of these policies, there is no sign that the U.S. Congress and media have recognized the economic, social and environmental devastation that these policies have wrought.

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