

Global Financial Institutions: The Double- Edged Blades and Instruments of Northern Domination

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Abstract

This paper debates the effectiveness and ineffectiveness of global financial institutions in international trade, international monetary and international development spheres. An emerging picture is that GFIs are neither a complete failure nor a convincing success story. Rating GFIs effective or ineffective is a question of ideology because the pendulum continues to swing. The paper argues that GFIs are strong instruments of domination by the North and furthering the interests of capitalist powers. Discourse on reactions towards GFIs have argued for abolition, empowerment, the need for a paradigm shift, resolving problems of overlapping mandate and improving relations with other international organizations.

Keywords: World Bank, International Monetary Fund, Northern domination, reforms, Poverty,

1. Introduction

Existing global financial institutions (GFIs) have prevailed for years being both effective and ineffective. The choice on the part of critics is a matter of ideology and philosophy. The World Bank (WB), the International Monetary Fund (IMF) and the World Trade Organisation (WTO) have operated over the years as strong instruments of domination by the North to keep the South in a vicious circle of poverty. There has been discourse that needs to be examined on reactions towards the GFIs namely reformists, abolitionists, empowerists, and those that argue for a paradigm shift.

2. Global financial institutions: Effectiveness and Ineffective

Data on the effectiveness and ineffectiveness of the global financial institutions presents us with an active pendulum or an almost balancing see-saw. The history of these institutions from the 1940s to present leaves us at the crossroads. One cannot openly declare that these institutions (WB and IMF) are a failure wholly or a success completely without being partisan or being ideologically biased. The UNDP Human Development Report 1994 cited by Roxas in Griesgraber and Gunter (1966a:12) is a clear pointer to this statement alluded to.

“What emerges is an interesting picture of unprecedented human progress and unspeakable human misery, of humanity’s advance on several fronts mixed with humanity’s retreat on several others, of a breathtaking globalization of prosperity side by side with a depressing globalization of poverty.

2.1 The effectiveness of global financial institutions

There is need to demarcate and classify the so much data on the successes of the existing financial institutions that justify their effectiveness. A preferably working taxonomy is that by Gardner (1996) focusing on the International Monetary, International Trade and Development spheres.

2.1.1 Effectiveness in International Monetary Matters

In this taxonomy, existing global financial institutions are effective because for developing countries, the IMF has become the international arbiter of those sound domestic policies that qualify a country for external aid. IMF’s financial assistance to these countries has tended to certify the creditworthiness of the borrower and has thus made it easier to obtain credit from private lenders as well as other governments. (Kirshner 1996:193).

Another element of effectiveness lies in their ability to mobilize resources from within and from central banks and commercial banks to enable the international community to cope with any debt crisis e.g. that of the 1980s. (Kirshner 1996:194). It is also an indication of effectiveness on the part of the BWIs to establish structural adjustment and enhanced structural adjustment facilities to provide loans on concessional terms to low-income developing countries. More so the financial institutions are effective in keeping the international system open and transparent and, by good analysis, they are promoting confidence in the policy member countries and understanding of the authorities' objectives (Bakker 1996:179).

The global financial institutions have also demonstrated their effectiveness in international monetary matters by intervening where necessary such as in the oil crises, the debt crisis and recently assistance with the transformation process in Eastern Europe and Russia (Bakker 1996:179). The credit provided to these former Soviet republic by IMF totals around SDR 15 billion during the period 1994-6, while loans from other quarters such as the European Union and other countries is subject to other conditions of adjustment programmes agreed with the IMF (Bakker 1996:39). One of the most single indicator of WB and IMF effectiveness lies in their ability to restore confidence in the policy of a country which makes a turn to the IMF (Bakker 1996:39) Garritsen de Vries in Kirshner 1996:130) writes of the effectiveness of the IMF in assisting the currencies of some industrialized countries confronted by unexpected balance – of – payment pressures e.g. UK on a number of occasions.

The preservation of exchange rate stability by the IMF in most countries demonstrates its effectiveness up to today. The lifting exchange restrictions and controls by IMF member countries to establish full convertibility of their currencies from 1945 to the present is also full testimony of the effectiveness of the existing global financial institutions (Kirshner 1996:130). The IMF in particular continues to demonstrate its effectiveness in remaining a key force in getting countries to lower the rate of inflation, reduce their balance –of – payments deficit and further accompanying their payments position with an appropriate lessening of their restrictions (Ibid: 130).

2.1.2 Effectiveness in International Trade sphere

In matters related international trade, the existing global financial institutions seem to display high levels of effectiveness. Since the 1940s substantial progress has been noted in reducing trade barriers especially in industrialized countries to about 4%. The GATT has been effective in dealing with many non- tariff barriers that have been emerging as obstacles to trade by reducing tariffs to modest levels (Kirshner 1996:196). The establishment of an international comprehensive set of rules covering virtually all trade barriers and the emergency of the World Trade Organization to assist in their enforcement is clear testimony of the effectiveness of the existing global financial institutions. One may freely argue that these financial institutions are questionably the forerunners of the European Union, the North America Free Trade Area, and even Africa's ECOWAS, SADC, PTA etc. The GATT maintains its effectiveness as a vital instrument for trade expansion for countries accounting for more than 80% of world trade. (Kirshner 1996:197).

The effectiveness displayed by GATT as a forum for trade negotiations, a body of principles governing trade policy and a center for the settlement of trade disputes is worthy stating. It is more important in the interest of the subject to focus more on the successor organization the World Trade Organization (WTO) with greater powers and a wider sphere of influence being extended to include trade in agricultural products and services, including financial service (Bakker 1996:9). This organization continues to remain effective by facilitating cross- retaliation in an integrated dispute settlement mechanism by bringing together under a single constitutional umbrella the rules and disciplines on government practices affecting trade in goods and services and the protection of intellectual property.

(Kirshner 1996:200) Thus the WTO remains an effective authority empowered to penalize and order redress in international trade matters/disputes. Another indicator of effectiveness on the part of the global financial institutions in this sphere is the rise in the interest to join in of Third World and communist countries that used to denounce the GATT as a nefarious capitalist club. Improvements in trade openness also reflect the effectiveness of global financial institutions. By 1970 poor countries sold just \$3 billion worth of manufactured goods to their wealthy counterparts and today that figure is in excess of \$150 billion. (Kirshner 1996:201). This international influence of the GATT/WTO cannot be underestimated. These successes in international trade matters reflect that existing global financial institutions are effective.

2.1.3 Effectiveness in International Development Sphere

The effectiveness of global financial institutions is revealed by the numerous successes since the Marshall Plan. These include among others the “economic miracle” of the 1950s and 1960s, the birth of the OEEC, the dismantling of intra-European trade barriers, the formation of the European Payments Union, the realization of the objectives of European recovery and integration, the formation of IFC and ICSID, IDA by the World Bank (Kirshner 1996:202). The International Finance Corporation put government money to work in equity investments in private enterprise in less developed countries whilst the International Center for the Settlement of Investment Disputes created a center of arbitration for the disputes between foreign investors and governments. Such are indicators of effectiveness as they serve to aid smooth international development efforts. Another pointer of effectiveness is the 1960 launching of the International Development Association (IDA) as the IBRD’s “soft loan” affiliate for the making of very long-term loans for development activities at nominal rates of interests. (Kirshner 1996:204).

By 1960 the existing global financial institutions, IBRD and IDA were financing local as well as foreign exchange costs and were moving into agriculture, education and later into health and family planning. They have since been working closely with UNESCO, FAO, WHO, UNDP, UNDF. In the 1970s the Bank still retained its effectiveness in economic development, poverty reduction, basic human needs, and access of the poor to education, health care, and family planning services. Of late the Bank started financing the protection of human environment in forestry, water resources, management and energy efficiency. (Kirshner 1996:204). Although the writer has not been able to access literature evaluating efforts to preserve the environment, it is hoped the WB’s sponsorship and management of the Global Environment Facility (GEF) in association with the UNDP and UNEP will display its effectiveness in work on climate change, biodiversity, protection of the ozone layer and efforts to combat marine pollution. Another clear indication of the WB’s effectiveness is that it has served as inspiration and model for the establishment of and growth of regional development banks in Latin America, Asia and in Europe. Further its consortia and consultative groups are effective in bringing donor countries together and coordinating their aid in support of internationally approved development plans. (Kirshner 1996:204). The World Bank’s effectiveness in development related issues is reflected by its growing influence in aid policies of the rich and development policies of the poor countries and continues to have a stake in aid efforts of the developed countries. Further its role in training, advice and technical assistance is effective as it enables it to shape profoundly the development efforts of the poor countries. (Kirshner 1996:205).

These are statistics reflecting the effectiveness of existing global financial institution in the development efforts internationally. Kirshner (1996:205_) provides the following figures in the growth of private capital flows to the developing countries/world. By 1993 \$113 billion out of \$117 billion came from the private sector; \$56 billion was in the form of foreign direct investment. \$13 billion was in the form of portfolio investment. \$43 billion was lent from commercial banks and other resources. The role of multilateral banks and multilateral cooperation in development work needs mention particularly for their “loan windows”. These have lent funds on near market terms to the most advanced countries and the “soft loan windows” ensured concessional terms to the poorest and least creditworthy developing countries of the world. It is these successes as indicators of the effectiveness of the existing global financial institutions that counter any possible views to the contrary. The volume of ineffectiveness authorities cite still brings us to the UNDP’s assessment in its 1994 report which as discussed before points to a balance.

2.2 The Ineffectiveness of global financial institutions

The existing global financial institutions have been described as ineffective on quite a number of aspects including the international monetary, international trade and international development spheres. An analysis of these reveals that there is a balance between the effectiveness and ineffectiveness of the existing global financial institutions.

2.2.1 Ineffectiveness in International Monetary Issues

The BWIs have proved ineffective in their fundamental mandate to govern the movement of global capital, they are failing to establish a system bringing about economic expansion, stable prices and exchange rates and a liberal regime in international trade. In practice there are no development institutions managing the new integrated global economy. (Griesgraber and Gunter 1996a:78).

Their failure to come up with an international reserve system based on special drawing rights (SDR) which was set aside indefinitely despite efforts to bring it back in 1960 is a pointer to these global financial institutions' ineffectiveness. Worse still they have been ineffective in persuading London, Washington plus other major developed countries to support the idea of an SDR scheme while only developing countries were pressing for it (Kirshner 1996:188). Their collective monetary management appears no more feasible for capital movements than for liquidity creation, trade flows have fallen and capital markets have taken over as the principal determinants of currency relations. (Kirshner 1996:188). These glaring failures acknowledge the ineffectiveness of existing global financial institutions.

The ineffectiveness in international monetary matters on the part of these global financial institutions is seen in their failure to control the 1980s and 1990s high degree of exchange volatility and substantial overvaluation and undervaluation of the US\$ in relation to the Yen and the Mark currencies replacing the (pound) as other major currencies (Kirshner 1996:192). In the recent years, they have been ineffective in failing to reduce the large and chronic US current deficits and large and chronic Japanese current account surpluses. (Ibid: 192). Another mark of ineffectiveness is the failure by the IMF to swiftly move in and do more to help the economic reforms in Boris Yeltsin's critical first two years in power. Jordan (1996) in Griesgraber and Gunter (1996:79) points out three weaknesses that render the current global financial institutions ineffective namely, their reliance on *ad hoc* forms of international cooperation, which may not happen in time to resolve monetary crises; The failure of the G-7 countries to regulate their own economies in ways that would promote the mega-economic public good; and the failure of the IMF to apply controls on surplus countries.

One would still feel the global financial institutions are ineffective on a comparative level where more powerful countries have benefited more than the less powerful ones. The debt crisis has been solved for a handful of powerful Western banks while the global economy has been adjusted at the expense of the world's poor (Griesgraber and Gunter 1996:76). Thus those in the Third World countries may easily raise such views as justification for qualifying the World Bank and IMF as ineffective organizations. The IMF remains ineffective because it still has no sanctions for influencing the policy of industrialized countries, and can only watch the ups and downs on the foreign exchange markets. In money lending matters, it is too much influenced by the industrialized countries. (Bakker 1996:40). Ismi (2004: 12) points out that indeed Global Financial Institutions are a failure as they left Africa to suffer the increased debt burden characterized by external debt increase of more than 500% (\$333 billion) since 1980. SAPs siphoned \$229 billion in debt payment servicing from sub Saharan African to the West since 1980. Thirty – three out of 44 sub Saharan countries are rated heavily indebted countries by the WB. Africa (the world's poorest region pays \$15 billion every year in servicing debts a figure more than it gets in aid, new loans, or investment. Ismi (2004: 12) points out that Global financial institutions are a failure pose a fatal impediment to Africa development. He argues that by servicing debts Africa lost an opportunity to save 21 million lives by could have given 20 million girls and women access to basic education by 2000. All African Conference of Churches describe this as a new form of slavery as vicious as the slave trade. Ismi (2004: 12) remarks that the USA is unwilling to support debt cancellation for Africa because it benefits a great deal from Africa's economic enslavement and that U.S.A, the West in general, IMF and WB use Africa's debt as leverage for manipulation of the continent's economic fate to serve their interests.

2.2.2 Ineffectiveness in the International Trade Sphere

The ineffectiveness of GATT; ITO and finally WTO are their failure to deal with the "American and Japanese problems" since their formation. Washington and Tokyo have a long time presented a test case to these global institutions. The GATT did not effectively deal/lure America into this organization. Some US State Department and Congress members remained opposed to American involvement until about 1968. The ITO has had the same problem and currently the World Trade Organization is faced with the American problem. (Kirshner 1996:197). The World Trade Organization WTO has been found ineffective in persuading United States and some of its trading partners to agree with WTO members on the employment of trade remedy laws in unilateral fashion. The organization has failed to shake the US from section 301 of its (US) trade legislation and its instance that it will continue to reserve the right of unilateral action. (Kirshner 1996:200). Thus failure to solve such a self-centered decision by the US against a whole international organization serves to reflect nothing less than that the WTO is ineffective. One wonders whether a Third World state would have lasted if it chose to stand by similar decisions. In this area of international trade, Japan, one of the most developed countries of the world has exposed the ineffectiveness of global financial institutions.

It has held on to self-protective clauses on imports and exports and discriminatory policies in international trade. Gardner in Kirshner (1996) writes of Japan's markets still closed as she (Japan) runs a trade surplus of \$100 billion per year, with imports of manufactured goods as low as 3% of its GDP compared to 7% of US and 8% of Europe. The nature of Japanese industrial policy, the discriminatory policies of Keiretsu industrial groups and restrictions on inward foreign investment expose the effectiveness of the WTO and the expanded GATT, that of failure to deal objectively and fairly when it comes to the rich nations. Gardner in Kirshner (1996:201) puts succinctly: Even the new WTO and expanded GATT rule are not likely to provide answers to the special kinds of barriers that Japan presents to the World.

2.2.3 Ineffectiveness in the international development sphere

Indicators of ineffectiveness in this sphere are that aid is insufficiently large and the economic performance of many developing countries continues to be disappointing. Whilst China, Hong Kong, Taiwan, Singapore, Korea and other Asian countries, Mexico, Chile, and Argentina and a few Latin American countries have taken off, Africa South of the Sahara excluding RSA is a continent in agony, per-capita income has been declining on the average for over a decade. (Kirshner 1996:205-206). The human condition is still shrouded in deep shadows as 1.1 billion people out of the world's 5.5 billion people are still very poor and live below the poverty line and 3.3 billion live at subsistence and barely over-subsistence levels. The richest billion people command 60 times the income of the poorest billion. (Griesgraber and Gunter 1996a:12). This grim picture of the world suggests that the existing global financial institutions are not effective enough.

In allowing aid-fatigue to spread, these global financial institutions have been ineffective in keeping the spirit/morale of aid high. Aid provided by developed countries has begun to stagnate at 0, 35% instead of 0, 7% as initially pegged by UN General Assembly. (Kirshner 1996:206). Ismi (2004:13) illustrates that by 2004 the GFIs neglected Africa in matters of clean water as half of Africa's population was without safe drinking water. Two-thirds had not access to adequate sanitation whilst the privatization of water in South Africa and Ghana deprived poor people of access to portable water. He further indicates that the GFIs failed to empathize with Africa in the inevitable decrease in education levels as African governments spent more on debt payment than on education and health whilst a rising 40% of African children were not in school by 2002 when per capita spending on education fell by 0.7% during the 1986-1996 decade. Adult literacy in Africa remained at 60% compared to Europe's 73% literacy level whilst more than 140 young Africans were illiterate by 2004.

Ineffectiveness also lies in WB and IMF's failure to keep aid levels higher and letting them fall to such levels that will not be sufficient to achieve the goals of sustainable development. They have done nothing to encourage the US to keep its funding level higher rather than letting it dwindle to 0,15% the lowest of OECD. The US has been left to let its funding for multilateral development banks falls by 40% since 1978 and worse still its contributions were in arrears exceeding \$800million by 1996 (Kirshner 1996:206). In the development related matters the existing global financial institutions have been found ineffective as the planet is manifesting clear signs of serious ecological damage at local and global levels (Griesgraber and Gunter 1996a:12). The IMF and WB are not applying enough pressure; perhaps they do not have the authority or are tolerant when it comes to the G.7 to attend to sustainable development issues worldwide. Should sustainable development fail at a global scale, their economic and environmental goals will be seriously undermined as well (Kirshner 1996:207).

The ineffectiveness of the existing global financial institutions has been exposed by a major report by the WB and partners which observes that many African countries are worse off today than they were at independence in the 1960s. Development, according to the report has failed in sub-Saharan Africa: Average income per capita is lower than at the end of the 1960s. The regions total income is not more than Belgium's and is divided among 48 countries with a median gross domestic product (GDP) of just over US\$2 billion- about the output town of 60 000 in rich country; The region needs to grow at least 5% per annum if it is to maintain the balance. Ismi (2004:12) provides the following statistical evidence of the prevalence of low human development indicators which the WB and IMF have either caused or failed to deal with: 80% of the poorest countries are in Africa. Since the 1980s SAPs human life expectancy in Africa has fallen by 15% to 47 years [the lowest in the world]; 40% of the population suffers from malnutrition causing low birth weight among infants and stunts growth in children. By 2000, 305 of the children under five were underweight in SSA. 37% of such children were under height.

With reference to the continent, the report says half of its people live below the poverty line; Africa accounts for barely, 1% of global GDP and only 2% of world trade; Africa's share of global manufactured exports is almost zero; Over the past 30 years Africa has lost market shares in global trade even in primary good: Africa has failed to diversify on any scales; excluding RSA, the continent has fewer roads than Poland; with 10 million telephone lines – half of which are in RSA – most Africans live two hours away from the nearest electronic communication; not less than one in five Africans have access to electricity; Two thirds of rural people lack adequate water supplies and three quarters live without proper sanitation. One in five Africans still lives in a country severely disrupted by conflict; Excluding wars of independence, nearly 20 African countries have experienced at least on period of civil strife since the 1960s. (WB, AERC, ADB, GCA; and UNECA Report 1000 cited in The Herald, Thursday 1/6/2000 Harare). Ismi (2004: 12-13) argues that the following conditions in Africa's health care delivery system continue to worsen as more money is going into servicing IMF/WB debts increases in diseases, continental collapse of health care system with clinics, hospitals and medical facilities closed down; 200 million Africans had no access to health services; fewer open hospitals were seriously under staffed; serious shortage of medical supplies diseases unchecked. Africa has 2% of the world's population yet has 80% of the world's deaths due to HIV/AIDS (17 million Africans died of HIV/AIDS) and 90% of the world's deaths due to malaria; 28 million out of the world's 48 million living with HIV/AIDS were in Sub Saharan Africa by 2004; 12 million children were orphaned by HIV/AIDS then; 900, 000 people across Africa were dying malaria by 2004 and a further 3, 3 million were estimated to have acquired TB by end of 2005.

With our understanding that existing global financial institution hold development as one of their mandate, there is no doubt that the grim picture of Africa presented above leaves one with no doubt that to some extent these institutions have been ineffective.

The existing global financial institutions have been effective in other aspects whilst they have also been ineffective in others. Population growth and increased welfare for the common man have generally been attained, life expectancy increased by 50%, average capita income worldwide have doubled. Development has not been even though many countries of the Third World, particularly Africa are cause of concern as they testify to the ineffectiveness of these current global institutions. Hunger, poverty, desperation, chaos, ecological/environmental degradation and AIDS/HIV continue to demand more and better attention. Whether the existing global financial institutions are effective or ineffective remains an open debate.

3. Existing Global Financial Institutions as Instruments for Northern Domination

The writer is of the opinion that global financial institutions are strong instruments of domination by the North over the South. The WB and IMF are the new colonial masters dictating to the Third World how to govern, run economies and other social services. The politics of weaker nations is heavily influenced by the IMF and WB. The industrialized powers that finance these institutionalize them to fulfill their agenda. The lower positions of Third World Countries in the dynamics of neocolonialism and the metropolis – satellite relation in international politics explain this better. The writer contends that the incorporation of Africa and the Third World in general into the world capitalist system via imperialism and colonialism resulted into the misery felt in the Third World today. Military intervention, the subsequent installation of puppet regimes in power, sanctions (invisible blocks) are brought against government of poor countries that defy the global capitalist economy [defended by the IMF and WB] (Oslon 1979:14).

The subtle economic weapons core states use via the WB, WTO, IMF and influencing the United Nations are: declines in investment, either in new loans for development, delays in the delivery of spare parts and in other areas of trade; snags in licensing or other technological transfers; dwindling bilateral and multilateral loans and grants, refusal to finance existing debts; drying up or outright elimination of credit lines.(Oslon 1979:15) Third World countries play second fiddle to IMF policies, the survival of their governments may depend on their relations with the IMF. Korner, et al (1992:140) write of IMF policies leading to a military coup in Jamaica (3/1962) as the government could not meet the demands of the population on one hand and meeting IMF demands on the other; Jamaican and Portuguese governments survived and collapsed during 1972 – 1981 due to IMF austerity measures;1978-1980 views Jamaica and Tanzania were that the balance of payment through IMF involved measures that caused mass starvation and IMF was pushing countries into surrendering their power of decision making.

Thus the fund had become a clear or subtle instrument by which the industrialized countries “disciplined” the Third World. (Korner et al 1992:129). Further by treating industrialized and developing countries unequally, the IMF and WB keep Third World subordinate to the North. Korner et al 1002:129) justify this by nothing that the IMF and WB passively accept independent exchange- rate policies by USA while at the same time forcing developing countries to devalue drastically. The contraction of the domestic economies of Third World countries imposed by the IMF leads to problems such as job dismissals, rampant unemployment, bankruptcy, and liberalization later introduced leaves Third World Countries vulnerable and not protected against more powerful world competition. Evidence that IMF and WB are strong instruments of domination by the North is basically reflected by the results to accept/reach an agreement with the IMF demands; and allowing the intervention of IMF in one’s national economic matters on the part of the Third World Countries. Korner et al (1992:141); contends that it all “leads to loss of legitimation and is a violation of a national sovereignty”.

The existing global financial institutions drag the South (Third World) by the nose .They are adept at maneuvering governments whose declared economic philosophy conflicts with their into impossible situations. If the government does not reach an agreement with them, they (governments) risk loss of information creditworthiness and an intensification of the economic crisis leading to loss of legitimation. Accepting IMF demands leads to international creditworthiness being restored at the expense of a contraction in the domestic economy and social polarization which may lead to loss of legitimation. Further allowing for IMF intervention in national economic, financial and budgetary policies is in itself a violation of national sovereignty (Korner et al 1992:141) There is no doubt that under such circumstances, the South is being dominated by the North and that the existing global institutions are being used as effective instruments of domination. One may agree with Griesgraber and Gunter (1996:b105) that global financial institutions political neutrality is myth when it comes to analyzing their role as the “international financial policemen”. There is lack of political neutrality by the global financial institutions in successful attempts to dominate Third World countries. The IMF in particular either threatens to stop aid to a particular developing country unless it’s acceptable political climate prevails in that country. In Portugal (1978) and Jamaica (1979) the IMF demanded that the two governments had to compromise with or reach a political consensus with trade unions, employers’ associations and the parliamentary oppositions on the implementation of an IMF package.

Thus it commanded social reform in a sovereign state in favour of a return to the status quo. Even Jamaica’s foreign policy was challenged by the IMF because the USA (a major shareholder) felt it was suspicious and was reducing Jamaica’s creditworthiness internationally (Korner et al, 1992: 141). More recent is the case of Zimbabwe undergoing structural reform since 1991. GDP generally remained at 2% growth while inflation continued to rise despite efforts to follow the IMF prescription. The IMF suspended aid to Zimbabwe in September 1999 until its conditions are met. (The Herald, 6 June 2000). Conditions focused on withdrawal of forces from the DRC conflict; a clearly defined land policy; reduction of the size of cabinet as some of the corrections Robert Mugabe’s ZANU PF government had to do before renewed support. The demands by the IMF had a political control dimension. ZANU PF lost popular support and an opposition part (MDC) stormed into the 120- member parliament with 57 members and currently stood as the first ever major and effective opposition to the government since 1980.

Global financial institutions are instruments of domination by the North in the guise of stabilization programmes that keep Southern (poor) nations subservient, within the vicious circle of poverty and desperate for help. This is achieved through policies that deflate the economy, causing domestic capacity to go waste; which aim to influence economic structures by applying free market principles that do not exist in most developing countries (Korner et al 1992:143). Further the policies are blind to the dangers of world market integration by forcing up export production; they even strain the resilience of democratic systems of government and have to enter into unholy alliances with repressive military regimes. (Korner et al, 1992:143). As defender of the industrial countries’ interests, the IMF ensures that debtor countries are placed in ‘better’ positions/conditions of repaying their debts as what matters most is any steady flow-back of their capital. IMF austerity packages do not address the causes of indebtedness the North are kept in business (Korner et al 1992:143). It is even ruthless in refusing to grant poor countries debt relief.

The participation of the World Bank in Development and Human Rights issues places political conditionality ahead of al. Political conditionality today appears an instrument of control over the South by the North.

Griesgraber and Grunter (1996b:103) define political conditionality as the legitimate intervention by aid donors in the domestic affairs of borrowing countries to alter the political environment in ways that sustain economic and human development. The modalities of achieving this are: Providing support through technical assistance to promote human right and democratic development; persuasion through policy dialogue; and political pressure. Allowing human rights, labour standards conditionality to the lending programmes of the BWI allows added opportunities for them to be used as instruments of the political and economic policy of the dominant North and to legitimate further intrusions into the domestic sovereignty of the borrowing countries. Griesgraber and Gunter (1995:26). Griesgraber and Gunter (1996b:105) say the addition of human rights concerns to aid undermines the WB's credibility by politicizing an otherwise professional and impartial institution. Sheth, (1978) cited in Griesgraber and Gunter (1996a:83) argues that Development, as a theory about economic growth and elimination of poverty has now come to be perceived as an ideological and institutional device used by the rich and powerful nations to monitor economic and powerful relations vis-à-vis the underdeveloped nations in order to maintain the former's political domination and establish cultural hegemony.

Some WB projects, IMF and US as a nation have been targets of riots in Jamaica, Sudan, Turkey, RSA (recently) because of the growing awareness that their structural adjustment programs are instruments to balance the global economy on the backs of the nations and being domineering (US in particular). (Griesgraber and Gunter 1996a:84). Several factors lead to loss of sovereignty on the part of Third World countries in their being subdued by the IMF and WB. Griesgraber and Gunter (1996b:105) say multiple conditionality (economic, environmental, military, political and legal) is an unethical intrusion on state sovereignty with the WB and IMF as new colonialists: In Third World Countries where external aid makes up a significant proportion of total government budget, sovereignty is almost fiction. The existing global financial institutions are strong instrument of northern domination. In international trade, monetary issues, and development, they, ensure Third World countries remain within the vicious circle of poverty and desperate for aid. They intrude in the domestic affairs of the borrower countries, by influencing policy formulation and evaluation, programs for development, commerce and politics. They use subtle forms of pressure to dominate aid recipient countries. IMF and WB completely destroy the sovereignty of Third World nations by use of a multiplicity of conditionality. Most important is that these existing global financial institutions have become the new colonial powers. Today several nations and the Anti-Globalization groups are calling for their abolition. The two bullies are being challenged.

4. Plans to reform the IMF and WB

Jordan, Roxas, Henderson, Bradlow and Grossman and Culpeper in Griesgraber and Hunter (1996) discuss a wide range of proposals to reform the WB and IMF. Jordan writes of abolition/termination and empowerists. Roxas proposes a clear paradigm shift from the current enterprise paradigm to a communication paradigm on the part of IMF and WB. Henderson, Bradlow and Grossman, and Culpeper propose a new focus on reforms to meet today's challenges. Culpeper distinctly calls for more transparency and accountability. Henderson finds it necessary to include the United Nations in these reforms. FitzGerald (1995) suggests a return to the original BWI with the IMF assuming a new role within the new UN framework. For the sake of convenience this section will focus on the reform plans proposed by Jordan, Roxas, Bradlow and Grossman. This does not imply that Henderson and Culpeper's proposal are immaterial or weak but they find a place among those chosen.

4.1 Jordan's Abolition and Empowerist proposals:

4.1.1 Abolishing the WB and IMF

Activists, abolitionists, ecologists and alternative economists all inspired by the values of self-reliance, human rights and ecological appropriateness are calling for the abolition of the IMF and WB. (Griesgraber and Gunter 1996a:76). The Abolition (Alternative, normative challenges have the following views about the IMF and WB:

The two are already too powerful and have become part of the problems of disparity and not the solution. The WB and IMF are agencies of the process of globalization and custodians of the modernization model of development threatening diversity, local political capacity and key democratic concepts like representation and legitimacy. The current macro process of globalization overriding the micro space of local communities is unethical and benefits the already powerful. The WB and IMF's development thrusts do not prioritize the needs of the local space- the primary space to solve social ills faced by the local population. (Griesgraber and Gunter 1996a:76-77).

4.1.2 The rationale for abolition of the WB and IMF

This school of thought absolutizes the local space as an ontic, and essential or indispensable core point in development. They consider the environment as a linking issue which cannot be separated from the lifestyles, culture, politics or human rights and is functional and beneficial for the people when addressed in its totality. The discipline of economics is inadequate for encompassing the reality of the space (environment). (Griesgraber and Gunter 1996a:77). One of the reasons in favour of doing away with these GFI's is that the forms of development they espouse preempt development that brings in civil society. Griesgraber and Gunter (1996a:82) points out that GFI's use linear approaches that preempt a systematic approach of addressing human needs. Max-Neef cited in Griesgraber and Gunter, (1996a:82) argues that in both the WB and IMF there is no possibility for the active participation of people in such gigantic systems which are hierarchically organized and where decisions flow from the top down to the bottom.

Another reason is that the world will not achieve participatory, sustainable and equitable development by further process of globalization or strengthening international institutions [at the expense of local communities] (Griesgraber and Gunter 1996a:82). Max-Neef cited in Griesgraber and Gunter (1996a:82) is of the opinion that the WB and IMF have been around for too long and we need a new political order based on a democratic culture. IMF and WB sponsored developing process should give way to that economic and political decentralization, strengthening genuine democratic institutions and encouraging greater autonomy in the emerging social movements. Communities should not be enslaved by the BWI's but concentrated on satisfying basic human needs, material or non-material through self-reliance and actively resists though non-violent means the incursion of development planners in their communities, recapturing the local space and resist globalization as modernization. (Griesgraber and Gunter 1996a:83). Third World countries in particular, need to adopt a defensive posture of self-realization which give their communities the necessary tools to block supernatural decision making process [typical of the WB and IMF] which do not have the best interest at heart. (Ibid: 86).

Abolishing the WB and IMF as the write sees will not be easy. The North is using it to control the world and have all the resource at their disposal to resist and even block alternative setups. It appears there is a long time ahead of our generation in which the WB and IMF and the North in general will remain major actors in the world. Slavery gave way to imperialism and colonialism; the two became strong pillars of capitalism and gave way to neocolonialism that is still perpetrating Third World exploitation and capitalism. In abolishing the WB and IMF, we run the risk of erasing names and terms whilst preserving the mechanics of international capitalism. Will the West watch as WB and IMF are hanged? Is a question the Anti-Globalization groups worldwide have to consider? There is more to these BWI's than just organizations.

4.1.3 Empowering the WB and IMF

Mead, UNDP, structuralist, reformist economists and pro Keynesians believe that ills such as poverty and global economic problems are caused by capital; its flow, shortage, distribution, form and rate of exchange. (Griesgraber and Hunter 1996a:77). These empowerists believe the WB and IMF need more authority in order to control the flow of private global capital and to control other global financial processes that threaten the stability of national economies. They are of the opinion that development crises are caused by shortage of capital and proper control and regulation of it (global capital) is the cure of social ills. (Griesgraber and Gunter 1996a:77). Whilst Abolitionists stress the primacy of local space, these structuralist judge that such narrow national interests impede a just flow of capital. Whilst abolitionists feel "Fifty years is enough!" these structuralists feel the WB and IMF powers be raised above that of a nation states creating a system truly global in scope and free to govern with the best interest of the globe in mind. (Griesgraber and Gunter 1996a:77).

What this school of thought is not taking note of is that this will still widen the gap between the rich and poor nations; sharpen up/enhance the international capitalist system; under globalization poor countries will languish under the dominion of the North. These structuralists and empowerists suggest the WB and IMF should adopt a broader and more powerful mandate than that which currently exists. They are also for/advocate for other institutions strong enough to impose or rule-based system of global economics as proposed to the present power based system along which the world economy is functioning. (Griesgraber and Gunter 1996a:77).

Structuralists suggest that the following will basically empower the WB and IMF: Reaffirming the Keynesian principles; creating and understanding of the mega economic reality existing in today's global financial market; The creation of a Global Central Bank; The creation of an International Trade Organization (ITO) and return to a demand-based global trade policy. (Griesgraber and Gunter 1996a:79-80). Reaffirmation of Keynesian principles is achievable by strengthening the present GFIs; establish new, stronger institutions that overcome the limitations inherent in the pursuit by the limitations inherent in the pursuit by the industrialized nations of their own narrower interests. Mead (1989) cited in Griesgraber and Gunter (1996a:79) says multilateral global Keynesianism would introduce an additional mega economic level of intervention in the service of the Keynesian vision.

This understanding of mega economic reality will achieve equitable, unsustainable and participatory development. The creation of a Global Central Bank restores the global public good over national or private interests and be in a position to do the following: Create a common currency; Expand credit and stabilize prices; Undertake expansionary policies or restrictive fiscal and monetary policy in the supranational economy; Stabilize international currency markets; Provide liquidity and credits needed by poor nations; and to operate nationally and globally (Griesgraber and Gunter 1996a:89). At this point the IMF should become in effect the secretariat of the G7 as suggested by the BWC in 1994 giving the new GCB considerable authority and would also require the member countries to see that structuralists disregard possible criticisms such as perpetrating political, economic, and philosophical alienation in poor nations.

4.2 Altering the paradigm completely: Roxas

Roxas's proposal is that the enterprise paradigm created by the BWI's half a century influence should be substituted by a communitarian paradigm. (Griesgraber and Gunter 1996a:14) A summary of both paradigms will suffice as a preamble to Roxas's reform proposals. The *ruling order* is founded on the philosophy of *individualism* whilst Roxas's is for a *new order* views the individual as part of a *totality of whole creation*, community, other living species and using nature sustainably. *Ruling science is reductionist and conservative* whilst Roxas's proposed new science is *holistic and systematic*. The *ruling technology* depends on fabricated artifacts, based on massive energy inputs from fossils fuels, produces products to satisfy specialized wants resulting from the increasing sophistication, whilst Roxas's *new technology* would emerge from consumer lifestyles that consciously evaluate the appropriateness of need satisfiers according to fundamental human needs to achieve sustainable consumption baskets and engineering designs closest to nature's production models.

The *ruling economic and social organization* is a *profit-enterprises*, profit seeking and ensures the mechanism free competitive markets needs to give away to a *new sustainable world* with the ecosystem is the ruling economic and social organization that is life supporting and observes mutuality of benefits. The *ruling enterprise* logic of accounting systems of balance sheets, inputs and outputs, revenues, profit and losses should give way to Roxas's *new enterprise logic* with an accounting system measuring revenues, costs, and incomes for the community and not enterprise owners. The new logic would be a shift from private owners to community's stake holders (Griesgraber and Gunter 1996a:14-15). Central to Roxas's new paradigm is that he absolutizes the community as an organization with a system combining the ecological system, human community, habitat and colony.

It has a natural resource endowment and a working economy. These define its needs and its capacity to supply them. (Griesgraber and Gunter 1996a:16). Roxas proposes that WB and IMF be redefined, the principal mobilizers of resources for the global survival movement by forming the following global institutions: The inter-community sustainable Trade Organization (ICSTO); Sustainable Human Development Bank (SHDB) and An Intercommunity Clearing Union (ICCU). Thus although Roxas is for a complete shift paradigm, he also sees the need to have present structures changed and both old and new institutions adopting new missions. (Griesgraber and Gunter 1996a:18)

4.2.1 Proposed new operations of old and new institutions

Roxas's operation proposals for the new and old financial institutions are that the United Nations and the transformed UNDP to a UN Sustainable Human Development Programmes (UNSHDP) are all focused on the theme of development. The new and old structures run the risk of lack of clarity. However Roxas proposes a new thrust in facilitating inter-community economic and financial relations and inducing free and open trade among communities to enhance the sustainable carrying capacities of their resources to benefit and support the economy constituencies. (Griesgraber and Gunter 1996a:19).

In the development sphere, the WB, IMF and the new global institutions it is proposed (by Roxas) that they put world-class technological, financial and managerial disciplines to the task of transplanting community-based sustainable human development into feasible programs and project packages: The institutions are to develop the technical, financial designs and the technical and managerial human resources for communities to plan and manage sustainable development strategies and operational tactics. The last but not least is for these institutions to mobilize financial and other resources from multilateral, bilateral, philanthropic, and commercial sources to support regional and national programs in a bid to empower communities in their pursuit of sustainable development.(Griesgraber and Gunter 1996a:18). Roxas's reform proposals for the WB and IMF emerge from a complete paradigm shift from enterprise to a communitarian one. The communitarian paradigm absolutizes the totality of local space like the Alternative normative challenges in Jordan's work. Roxas's reform proposals sweep across the UN, WB and IMF and suggest the creation of new structures. For Roxas's both the old and new institutions should empower the communities in community-based sustainable development. This is in accordance with the primacy of the community unit.

4.3 Bradlow's and Grossman's reform proposal

Underlying Bradlow and Grossman's reform proposals on the WB and IMF are the world's problems that have become complicated and difficult to solve in isolation from others. They have also become internationalized such that their solutions require coordinated action at local, regional and global levels.(Griesgraber and Gunter 1996a:29). The following are problems that have become interrelated and complicated: poverty, refugees, environmental degradation, nuclear proliferation, financial flows, transfers of technology, the effect of globalization production patterns on taxes, trade, labour and customers, and criminal law problems such as drugs and arms trafficking. (Griesgraber and Gunter 1996a:29). Bradlow and Grossman propose reforms in the areas of participation, policymaking, and accountability, relations between themselves and with other international organization. What these two stress most is participation in these central operations by developing/designing formal, transparent mechanisms that allow for the involvement of stakeholders, including those precluded from taking part in the borrower-state's policymaking process. (Griesgraber and Gunter 1996a:42).

In policymaking, the WB and IMF should establish a more formal process that ensures that all stakeholders have a fair and meaningful opportunity to participate in BWI policymaking. This can be achieved through timely invitations, requesting for information, considering submissions, preparing draft versions of policy to be submitted for public comments, come up with a finalized statement including a discussion of comments received by the BWI and publish. (Griesgraber and Gunter 1996a:42). The revival of the International Bank for Reconstruction and Development's Advisory Council (IBRDAC) to introduce more non-state views in the policymaking process will widen room for participation in the WB. The council could be widened to include representatives of developmental, environmental, women's and human rights organizations. The process of formulating the internal operating rules and procedures though meant for staff guidance should also be opened up to greater participation by use of notice and comment procedures. There is also a need for the WB and IMF to articulate clearly issues within and outside their mandate (Griesgraber and Gunter 1996a:43). The WB and IMF should be reformed to ensure that they are accountable and be capable of being sued as corporate beings by individuals and victims of their policymaking functions designs and the implementation of specific operations. (Ibid p.44). The WB and IMF need to resolve the overlapping of mandates more.

The current use of the Policy Framework Paper has so far provided a smooth process in sourcing fund from IMF and WB. (Ibid: p.45). Relations with other International Organizations need to be revamped by the WB and IMF by developing their in-house expertise to deal with various issues. They should formally make a commitment to respect and follow the decisions of those international organizations that have specific expertise in the relevant area. The WB, IMF, and other international organizations need to strengthen their cooperation this avoiding the problem of encroaching into the jurisdiction of other organizations. (Griesgraber and Gunter 1996a:46-47).Bradlow and Grossman's reform proposals for the WB and IMF are impressive in their stress on participation. This ensures that democratic bodies executing international, regional and national tasks will be in place. Increased membership, transparency, consultations, debates, discussions, presentations, comments, reviews and clarifications will ensure that participation is in place in all major operations of the WB and IMF.

5. Conclusion

This work has addressed the effectiveness and ineffectiveness of the existing global financial institutions. Focus has been in the areas of international trade, monetary and development. It is not convincing to say these IFIs are complete failure or success stories. Making a decision to belong to any side is a question of ideology because the pendulum continues to swing. This work displayed that the global financial institutions are indeed strong instruments of domination by the north. Discussions on the plans to reform the WB and IMF have been based on Jordan's work addressing the views of those who want them abolished one hand, and those who believe they should be empowered; Roxas's work justified reforms based on a complete shift from the BWI's half a century old Enterprise paradigm to a communitarian paradigm putting the local community at the center of focus. Bradlow and Grossman believe the modern world is rampant with interrelated problems that cannot be solved one by one and needing joint effort if solutions are to be found. Their plan of reform proposes the application of the principle of participation in policymaking, accountability the formulating the internal operating rules and procedures. They propose that the WB and IMF resolve problems of overlapping mandate and improve relations with other international organizations.

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