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The World bank and Cheap Labour

Cheap labour means massive profits for business people. In today's world this means that companies are much more prepared to travel anywhere to rip-off workers. The World Bank encourages this by "encouraging developing countries to adopt favourable wage polices". In return the World Bank gives these countries a good 'credit rating'. An example of this policy in action is the case of Indonesia where the government has officially set the minimum wage below the poverty line. But who benefits?

Nike, the sports shoe company, pays its workers in Indonesia just 16p an hour to make its 'Nike Air Pegasus' brand. These shoes sell for over £45 here in Ireland. Total manufacturing labour costs for this type of shoe are only 2% of the final retail cost!

WORLD Bank death: fighting back

The World Bank and the IMF are killing thousands of people every week with their policies. They won't change unless they are forced to. During the coming months the Workers Solidarity Movement — along with other anarchist groups in France, Switzerland, Sweden, Spain and Italy — is taking part in a campaign to highlight and fight against 'WORLD BANK DEATH'.

Demonstrations are planned on May Day. A further mobilisation with take place in Lyon, in France, in June to coincide with the next meeting to the G-7 (the 'donor countries' in the WB). If you want to get help out with these protests, contact the WSM as soon as possible. Remember the more people that get involved, the more we can do!

THE World Bank Game

The Money: The USA, Canada and Britain set up the WB. These 'donor countries' also set up the rules. 'Donor countries' vote on the WB Board according to the size of their 'donations'. The USA has always dominated the Bank.

The Projects: Hydroelectric dams, ports and highways are favoured by the WB. Projects like these eat up 50% of all money 'loaned'. Often the ports are located 'conveniently close' to a some Multinational company that is doing business in the country at the same time. For example: modern deep sea port and dock facilities to allow for the export of iron ore, coal or alumina.

The Jobs: Often very few jobs result. For instance, 'heavy industry' construction is often contracted back to companies in the 'donor countries'. (In fact a lot of the 'loaned money' ends up there).

The Bills: The 'debtor country' pays the bills on all constructions. Often the final bill is a massive mark-up when interest payments are taken into account. A further headache is that 'heavy industry' construction is often the wrong thing for poorer countries. Their requirements are often much more basic: housing, water pipes, irrigation, etc.

The People: WB bank planners don't tend to consider 'the other side' of development: community disruption, environmental degradation, etc. Dam construction is a classic example — disrupting huge numbers of people for benefits that might often only accrue to a few.

Human Rights? Not necessary. The WB will work with all types — the bottom line is you must be a capitalist. The WB regularly does business with dictatorships. Often people connected with the dictatorship obtain 'spin-off businesses' from the main project (bribery and backhanders are not uncommon.)

Mozambique lies in the southern part of Africa. It is a huge country, nearly ten times the size of Ireland. Despite great riches under the ground — diamonds, coal and precious minerals — it is an very poor country. Today, the legal minimum wage is only $40 per month. Out of a total working population of nearly seven million adults, a bare 90,000 people earn this sort of money — most people earn a lot less or nothing.

Last year, in order to maintain basic standards of income, the Mozambique government announced, with the agreement of business and the trade unions, that it was increasing the minimum wage by about 37% or $14 dollars per month. At first sight this might have seemed like a bonanza — in actual fact it wasn't. Last year, inflation in Mozambique was running at over 40%. Putting the sums together, you'll see that even with the increase of $14 per month most people would still be losing out.

The problem is that this increase of $14 per month never actually happened. A dispute arose between the World Bank (WB), the International Monetary (IMF) and the government of Mozambique as to whether or not Mozambique "could afford" this pay rise. A representative of the IMF, a person by the name of Sergio Leite, intervened and ordered that, in accordance with IMF/WB policy, inflation in Mozambique be kept at just 24% annually. In other words, no pay rise.

A further dispute then arose. It was pointed out to Mr Leite by a group representing countries such as Denmark and Sweden that the infrastructure of Mozambique was already in danger of collapse. Some 30,000 jobs in the government had already gone, largely as result of cuts introduced by the IMF/WB in 1994. These jobs, a quarter of all salaried work in the country, were mainly in areas like health and education — areas already poorly funded.

The outcome for Mozambique, in relation to this particular case, is still not clear. Despite the interventions of outside governments on its behalf, the stark likelihood is that the World Bank and IMF will eventually get their way. This gives some idea of their enormous power in today's world. It is often power over life and death.

WORLD WAR II

No one ever elected the IMF's Sergio Leite into power. In fact, it is probable that few people in Mozambique even know who he is, or even know about what he is doing. In reality, Leite himself is just a messenger for decisions that are taken about Mozambique in Washington, London and Geneva.

In the headquarters of the World Bank and the IMF, decisions are also taken about many other countries — in Africa, Asia, South America, and European countries like Ireland. It is here that the real course of our lives is decided. We may vote — at elections — for whomever we want, or for whatever polices are on offer — but, at the end of the day, what actually happens is not decided by us but by the likes of those who run and staff the World Bank and the IMF.

These two institutions — set up during World War 2 — decide on the main features of our economies today. They decide on whether money should be put into the economy (increased public spending) or whether money should be taken out (cutbacks). They have one main consideration in mind when they make these decisions. They consider 'what is the best thing for business' — that's what happened in Mozambique.

FAVOURABLE

The World Bank and IMF obtained the power that they now have largely as result of the unequal balance in wealth that was created in the world by colonialism. Countries like Mozambique, and to a lesser degree Ireland, were plundered under

On certain occasions, it is true, it does admit to 'errors', and even 'miscalculations' with regards to the SAPs. But, largely, it tends to blame forces outside its control, like 'Africa' or 'corruption' or 'famine'. The fact is is that the SAPs, more than any other single policy strategy in the last twenty years, have impoverished millions.

WHO BENEFITS?

Given the degree of debt that currently exists in the world, one might be forgiven for thinking that the world's economic system has gone mad. After all, it is a strange to think that a country as rich as Mozambique is close to collapse — given its mineral wealth, its natural amenities and its resources. Indeed the impression that the world's economic system is 'out of control' is quiet wrong. Bear in mind that now as much as ever, enormous wealth is being made from the misery of the poor. Therein is the key to what is wrong.

Institutions like the WB and IMF have an enormous say in the running of the world — this is why they were set-up. But who benefits from this power? You? Me? Hardly. The real beneficiaries are the people who depend on the Third World for its enormous mineral resources and for its cheap labour pool. Coal, diamonds, alumina, coffee, tea, grain, nickel, tin (to name but a few) are all purchased at prices that are far, far below their real worth.

We may ultimately buy the tea or the coffee or the coal — but it is the merchants in the middle that make the real profit. Ultimately they control the price of many commodities — and in this way they also obtain an important say over the wages and conditions of the workers in these countries. From such control comes the massive profits that are the hallmark of capitalism today.

DISASTER

Even in the early eighties, some countries were able to avoid some of the more stringent aspects of the SAPs. This was largely because of the existence of the Soviet Union, which, to a degree, funded development in its own right. For obvious reasons, the Soviet Union tended to financially support countries that took a friendly attitude to it; it also tended to trade with these countries. This, at least, gave some countries an alternative source of credit and food (which allowed them some bargaining room with the IMF/WB).

However, with the collapse of the Soviet Union in 1989, this fallback position was removed. Many countries, from that point on, had no choice but to deal with and accept the commands of the World Bank and the IMF — which led to the real disaster that is now facing millions in the world. At a time of enormous wealth, millions are starving and dying from problems that could be eradicated with a relatively small sum of money.

The United Nations has estimated that just $11 billion would pay for all the primary health care needs in all countries that are, today, considered to be 'developing countries'. This includes catering for all the immunisation requirements in these countries and for the removal of all serious malnutrition, as well as providing safe, clean drinking water for everyone. Just $11 billion — one tenth of what rich countries spend on weapons every year.

Since the introduction of the SAPs in the 1980s, levels of poverty and destitution have risen rapidly in Africa and throughout the world (see graphic 1). Ironically, the World Bank's World Development Report (a yearly publication) often flags this. In fact, there is no better source for data on the world's appalling poverty statistics.

But the World Bank, while having the facts and figures at its fingertips, rarely draws the right conclusions about its polices.

colonialism. They were left with very little in terms of infrastructure — that is schools, housing, roads, electricity services, hospitals, etc. On the other hand, countries such as England, France, Italy and the United States emerged in much better condition. It was these countries, the main beneficiaries of colonialism, that set up the World Bank and the IMF in 1944.

The proper name for the World Bank is actually the International Bank for Reconstruction and Development. From this name, one can get some idea of what the actual purpose of the WB is meant to be: "to loan money at a favourable rate to developing countries for the purposes of economic development and progress."

In theory this is a great idea. Developed countries like Britain, the USA and Japan have enormous resources and wealth at their disposal. Why shouldn't they lend money at a reasonable rate to poorer countries for the purposes of development? In fact, obtaining cheap money (credit) so as to provide hospitals, schools, roads, power plants, and a clean water supply is one of the best ways to help build up the wealth of a country.

Actually, it is one of the best ways to help people. The problem with this theory, however, is that it takes no account of capitalism — the prevailing manner in which the world is organised. Because of capitalism the World Bank creates poverty and destitution in most countries that it involves itself with: (see box 1)

DEBT IS GOOD

Colonialism created massive inequality wherever it went. Many Irish people, for example, will be familiar with this in regard to Britain — a country that has always been wealthier than Ireland. But in 1870, when colonialism was well underway in Africa, Asia and the Americas, estimates of the disparity in wealth in world were put at only one to ten. That is, rich countries were ten times wealthier than poor countries. By 1960 however — just ninety years later — that estimate of the disparity had risen to thirty-eight times. (That is, rich countries were thirty-eight times wealthier than poor countries.)

The amazing thing is, is that just twenty-five years on from that again (in 1985) the estimate had risen to fifty-two times. This gives some idea of the impact that institutions like the World Bank and the IMF have had from the time they were set up. Rather than helping to alleviate inequality they began, very quickly, to make it worse.

Looking at the figure above, another thing is also very noticeable. In more recent decades (since the early 1970s) the increase in the disparity in wealth has actually begun to accelerate — that is, it is beginning to increase at a faster and faster pace. To explain and understand why is this so, a couple of things must be borne in mind — these give some indication of the disaster than is now facing many millions of people in this world. It also explains, in part, why nothing short of revolution will change it.

Borrowing to pay for development became an accepted (and correct) part of the world economy after WW2. Almost all countries borrowed to some degree — in part as a response to the need to develop, in part because borrowing was an accepted economic practice. However, with the onset of massive oil price rises in the early seventies, prices sky-rocketed. So did the interest rates that were payable on borrowed money. In response to this, many countries (in the First World) cut back on their borrowing and spending — this in turn led to a massive recession.

BIG STICK

All countries were hit by the oil crisis and by the recession. But poorer countries were hit severely. Because their economies were weak and vulnerable they had to continue borrowing despite the high costs involved. Some just borrowed to pay the interest on the massive debts that they had already accrued with the WB. Between 1977 and 1982, the crisis that became known as the 'Debt Mountain' was well underway.

In some countries over 50% of all monies earned in exports was immediately going to pay off just the interest on the debt. This was the first real occasion when the IMF and the World Bank began to step-in with the big stick, demanding that things be done its way or else. In particular, the World Bank underwrote a lot of the world's debt (much of which was owed to private banks).

In this way, it began to obtain an enormous say in the internal affairs of many countries. Indeed, it should be borne in mind, that while this was happening at its worst in Africa, it happened to some degree in all countries including Ireland

As the 'Debt Mountain' began to grow, economic thinking (if one could call it that) also began to shift towards what we now call 'Thatcherism' or 'Reaganomics'. This meant, that if there were bills to be paid, then it was better to get poor people to pay them. These sorts of policies began to be applied throughout Africa, in particular, from the early 1980s onwards. They were known as Structural Adjustment Policies (or SAPs).

In general, their thrust was to cut funding to all non-essential services as a means of 'saving money' in the debtor countries (Mozambique for example). The 'saved money' could then be diverted to paying off the banks (the WB included). One of the major problems with SAPs, as they are applied, is that 'non-essential services' are often defined as the very services that the most people need in the first place — for instance hospitals, schools and the public services in general.