

The World Bank and International Monetary Fund as Mechanisms of Western Domination: Historical and Contemporary Analysis

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Abstract

The aim of this study is to identify the role of the WB and the IMF in serving the goals of Western states in general and the US in particular since the creation of those institutions at the end of WW II. The study used the historical approach and the descriptive analytical approach based on the premise that despite all the rhetoric about development and the alleviation of poverty, the central function of the WB and the IMF has been to draw all the world countries tightly into a capitalist world economy dominated by Western states. The study results revealed the success of the Western states led by the United States in using those institutions to serve the political goals of western states, the rationale for development assistance over decades has been checking the advance of communism. Both institutions were invaluable in winning the Cold War. Also, the study results revealed that over the past seventy years or so, the WB and the IMF have steadily gained power and influence, becoming the only institutions that decided which countries will receive international loans. This status gives the WB and IMF the power to enforce economic and political policies favored to the West. For many Third world countries, this goes back to colonial times.

Keywords: Development, World Bank, The International Monetary Fund, Cold War, Imperialism.

Introduction

Over the years there have been two conflicting opinions of the roles of the World Bank (WB) and the International Monetary Fund (IMF), as they are the major institutions of the New International Economic order. One, held by many scholars, statesmen, and leaders of the less developed countries (LDCs) and especially the pioneers of dependency theory, argues that LDCs are impoverished and rich countries enriched by the way LDCs are integrated into the world system; the IMF and the WB are the instruments of imperialism, as the

creators of those institutions want to keep the new independent nations poor and in chains (Muthee, 2013).

The opposite opinion, held by considerable numbers of Western scholars and advocates of free market economy that oppose the previous argument, believe that there is no correlation between the underdevelopment in the Third World countries and the practices and roles of the IMF and WB as financial institutions (Bauer & Yamcy, 1957). Thus, the subject matter of the role of the IMF and the WB is a matter of contention.

This article argues that the New International Economic Order and its institutions, among them the WB and the IMF, are responsible for the plight and poverty of the LDCs. Thus, Third World development is incompatible with the First World development and could only take place when the First World and its capitalistic system stop their oppression and exploitation for the LDCs through their institutions, and became more responsive to Third World needs.

However, the purpose of this article is to study the role of the WB and the IMF in serving the interests of the First World, since the establishment of these institutions as new instruments of the imperialistic powers so as to continue their exploitation and oppression in new methods. It is also to detail the role of those institutions during the Cold War era in implementing anticommunist purposes, as the anticommunist considerations played an important role in directing the policies for these institutions.

The United States had been the leader of the Western alliance, and the major power in these institutions, and the most anticommunist. This article will therefore focus on the influence of the U.S. on these institutions. The U.S. was a leading force in the establishment of those institutions in 1944, remains the largest shareholder in them today, and retains veto power over those institutions.

Statement of the Problem

In 1944, two international financial institutions were established, the International Monetary Fund (IMF), and the World Bank for Reconstruction and Development (WB). The IMF goal was to smooth world commerce by reducing foreign aid exchange restrictions. The WB was given the task of making post-war development and the reconstruction of Europe. The two financial institutions had shaped the world economy ever since. The unwritten goal of both institutions has been to integrate countries in the capitalist world economy. After more than seventy years of the creation of those institutions, it is very clear that they were the creatures of the Cold War, geopolitically, the most consistent rationale for development assistance had been checking the advance of communism or even that of non-communist regimes friendly to the Soviet

Union. The US and other western countries were not concerned whether the WB and the IMF were propping up repressive regimes or traducing their purported poverty and development goals, since there were above all invaluable institutions for helping to win the Cold War. As the Cold War is over, those institutions did not reform their policies to become more responsive to the needs of LDCs. In sum, it is fair to say that US has dominated the WB and the IMF since their founding. Rarely, has either the WB or the IMF pursued policies at odds with US foreign policy goals.

Hypothesis

The hypothesis of this study is that despite all the rhetoric about development and the alleviation of poverty, the central function of the WB and the IMF has been to draw the world countries tightly into a capitalist world economy dominated by the western states.

Research Questions

This study quests to provide answers to the following questions:

- 1-What are the strategic objectives of the WB and the IMF?
- 2-What are the sources of US influence on the WB and the IMF? Are the WB and IMF simply tools of American foreign policy?
- 3-Had the WB and the IMF succeeded in helping the LDCs to alleviate poverty and achieve economic development? Do the WB and the IMF intend only to benefit the US and the powerful western states?
- 4-What is the impact of Structural Adjustment Programs on the living standards of the LDCs? What are the prospects for LDCs to achieve development under the guidance of the WB and the IMF?

Methodology

This is an historical and descriptive analytical study. The historical approach explores past trends in relationship to the subject of interest with the goal of providing systematic and comprehensive understanding of the present. The historical context brings out features that are crucial to an understanding of the present. Furthermore, the study uses a descriptive analytical approach, which helps to scrutinize and explore the obtained information, as through as possible with a view to providing material and guidance for subsequent research.

Literature Review

A tremendous body of literature has been written on the WB and the IMF. The gigantic task of sifting through this vast and sophisticated amount of literature for relevant data is further sophisticated by the different arguments presented, and by the biases of the authors. However, to keep the review to a handy size, the researcher viewed some exigent literature that shed light on the subject.

Western scholars have realized the importance of the WB and the IMF in enhancing western interests. The result of such studies have proven very useful with regard to the policies, operations and impact of the WB and the IMF on the world economy. In the United States, the study of the WB and the IMF has drawn a lot of attention. Among the early studies are Mason (1973), Reid (1973), Victor(1981),these studies focus on the history, operations, policies and influence of the WB. The authors credited the WB and consider it efficient and vibrant organization, capable of growing and adopting to change. Other studies take interest in some different aspects of the WB and the IMF. Among these are Oliver (1971), Lesli (1987), Kapur et al.,(1997) which examines the capitalist ideology of the WB and the IMF. The WB and the IMF were activists free market advocates. Trade liberalization and the important of market forces became the WB and the IMF message. Also Giplin(1975), Cohen (1985), James (1994), and Hunter (2002), study the relationship between the US and the WB and the IMF. Those studies examine the t evolution of the US policy towards the WB and the IMF,and the impact of the US on those institution's policies and operations.

Other studies were written from a Marxist perspective; they discredit the WB and the IMF as tools of western imperialism. Among these studies are Frank (1966), Amin (1976), Wallerstein (1983). In this regard, Goldman's study (2005), is among the most recent studies in the area of criticism of the WB and the IMF. The argument against the WB and the IMF reaches to the level of describing both entities as misguided and even corrupt. The failure of the WB and the IMF to articulate and implement a convincing strategy to reduce world poverty had left them vulnerable to the charge that they are un useful. Writing with this perspective,Shah (2013), in his article "Structural Adjustment: a major cause of poverty, " declares that the WB and the IMF require poor countries to reduce spending on things like education, health and development, while debt repayment and other economic policies have been made the priority. In effect, the WB and the IMF demanded the poor nations to lower the standard of living of their people. Also, other studies looked into the failure of Foreign Aid to achieve development in LDCs. Among these studies are Sulivan (1996), Alesina and Dollar (2000), Easterly et al.,(2004),Rahman (2008), and Keo (2013).

The Significance of the Study

As shown up, several studies have examined the politics of the WB and the IMF but hardly any of them have provided any in –depth analysis. Moreover, most of the previous studies were primarily subject to the author’s ideological position. The significance of this study lies in the fact that more than seventy years after the WB and the IMF emerged as the dominant force in economic policy making in LDCs, LDCs poverty is deepening, human indicators are worsening. Unless the WB and the IMF reform their policies, and address the problems of increasing international inequality and poverty, global economic decline is certain to accelerate. The key is to reform and democratize the WB and the IMF. Until this reality becomes the key stone of the WB and the IMF policies real and just development will continue to elude us.

Historical Background

In the past, the imperial powers used their military power to achieve economic advantages overseas by ensuring political control of overseas territories. During the colonization period, which extended more than 400 years, the colonies suffered from a severe economic exploitation; which was the largest robbery in the history of humankind (Rodney, 1973:107-125). The imperial powers not only used the colonies as a source of cheap labor and cheap raw materials to feed the industrial countries, they also plundered large quantities of gold, silver, copper and many other valuable materials from Africa, Asia, and Latin America, and transferred them to Europe. They not only impoverished those continents, but also followed a policy of partitional destruction towards them. The legacy of the colonialism in Africa, Asia and Latin America is still alive, and responsible for so many trials and tribulations of the Southern states of Africa, Asia, and Latin America;(Kegly, 1993:120-123).

Later on, when the Southern states achieved their first historical victories by obtaining their political independence, after a long struggle and at very expensive cost, they put an end to the direct traditional colonization; but that was not the end of imperialism (Kegly, 1993:120-123).

As the need of the imperialists for the colonies did not end, it was necessary to create new methods and instruments that could achieve the old objectives of imperialism, and at the same time suit the new era of independence. In other words, a policy was needed that could maintain the control and dominance of the North over the South (Amin, 1976). The new policy that the imperialists created to conserve the relation of dominance was an economic instrument, which replaced the traditional instruments of direct colonization by political and military powers. This new policy is called neocolonialism. The well-known

African leader Nkrumah wrote that “Neo-Colonialism represents imperialism in the final and perhaps its most dangerous stage (Nkrumah, 1964:1).

Neo-colonialism is achieved by connecting the economics of the newly-independent countries to the economics of the imperialists, and it rests on financial institutions, especially the WB and the IMF that the West created. The loans and aid that the West offers to the LDCs was not for the purpose of assisting the LDCs with development, but to dominate and control them. Thus, the powerful states behave like colonial powers, and this behavior is linked to colonialism in a post-colonial world. In lieu of direct military-political control, western powers employ financial policies through the IMF and WB to dominate LDCs.

The Establishment of the New International Economic Order (NIEO)

The critical events in the twentieth century, like the World War I (1914-1918), the economic crises of the capitalistic system between 1929-1933, and the World War II (1939-1945), led to the attrition and weakening of the imperialists states, and forced them to violate the rules of the gold system of exchange, which was the prevailing international system to organize monetary issues.

The United States before the end of the war began to plan for the New International Economic Order (NIEO) and the economic recovery that would follow the peace (Samuels, 2009). The visible aim was to design an international economic order that would avoid a repetition of the trade and currency practices of the inter-war period. Instead, the NIEO would encourage economic stability, encourage rising levels of income through the growth of international trade and investment, and ensure stable monetary relations among the states. The NIEO had to be ensured under the aegis of the United States, which began to become involved in international policies after abandoning Monroe's Doctrine of Isolationism (Masson, 1973:13). The United States learned a lesson after not joining the League of Nations, as that step was among the major reasons of the failure of that international organization, and then the outbreak of World War II.

The United Nations, and its other agencies like the IMF and the WB, were the results of the United States' efforts in that field, but the UN was given an international impress. This is evident from the opening words of the charter of the United Nations, which states: "We the people of the United Nations determined to achieve international cooperation in solving international problems of an economic, social, cultural, or humanitarian character." (UN Charter). In order to achieve the previous purpose, the UN decided to establish the Economic and Social Council, which recommended the establishment of the WB and the IMF as special economic agencies to achieve the entire objectives of the Economic Council (UN Charter, articles 61-71).

From the beginning, those institutions, regardless their international impress, were largely an American creation. The United States was able to shift their objectives from being economic to political, becoming one of the instruments of the American foreign policy. This dual purpose and use of them by the United States, caused the Soviet Union, China and their allies to refuse the affiliation with them, as they consider them an American instrument for imperialistic purposes. The Soviet Union and its allies formed the COMECON as an alternative to those institutions, to facilitate and coordinate the economic development of the Eastern European countries belonging to the Soviet bloc (Walter, 1991).

The United States Dominance of the WB and the IMF

As mentioned earlier, the new economic agencies were an American creation, as the United States proposed their basic design, led the efforts to get them off the ground, provided much of their top management and staff, and the capital subscription. The result was a strong enduring American imprint on all aspects of the WB and the IMF structures, general policies, and forms of lending. To illustrate these facts a number of points are worth mentioning.

The WB and IMF that emerged from the planning efforts of the United States were not created neutral. The U.S. views regarding how the World Economy should be organized, how resources should be allocated, and how investment decisions should be reached were enshrined and incarnated in the charters and operational policies of those institutions. This includes the decision that these financial agencies should not lend directly to private enterprises. Two other decisions reflected strong U.S. preference for close oversight of those agencies by national representatives; the choice of a permanent location for these agencies in the United States, and the definition of the role of the Executive Director and the Boards of Governors. These bodies make all major decisions for the WB (Gardner, 1980:16-20). Henry Morgenthau, the Treasury Secretary of the United States pointed out:

The aim of the efforts was to locate those institutions in the U.S. so as to move the financial center of the world from London and Wall Street to the United States Treasury and to create a new concept among nations in international finance. (Gardner, 1980:20).

The new financial institutions were to be instrumentalities of sovereign governments and not of private financial interest, with regard to the second decision about the role of the executive directors. Many countries sought to minimize the influence of the national governments on the directors but the U.S.'s view prevailed (Catherine, 1994:5-10). As the presidents of the Banks

were American citizens closely tied to the U.S. government, it became a necessity for an applicant for a loan to stop on his way to those banks and to get the support of the U.S. government.

Therefore, the bank's autonomy didn't exist and the U.S. was the dominant member country. According to the charter of those financial institutions, an applicant for a loan must get the approval of 80 % of the voting members. Due to the fact that the U.S. voting power was never below 20 % up to 1990, the United States had a veto power in the institutions. Without getting the U.S.'s approval it was impossible to get a loan from these institutions (Williams, 1993).

In Tables 1 and 2, the numbers will show the dominance of the United States and the imperialist countries over the World Bank and International Monetary Fund from its establishment until today.

Table 1: The Voting Power in the World Bank*

Years	U.S.	U.K.	France	Germany	Japan	Total	Africa
1948	38.09	15.59	6.30	—	—	59.98	1.88
1952	37.56	15.38	6.21	—	—	59.15	1.85
1956	35.08	14.36	5.80	3.56	2.76	61.54	1.72
1960	29.25	12.04	4.93	4.93	3.17	53.32	5.80
1965	25.50	10.50	4.30	5.02	3.19	48.71	7.32
1970	24.53	10.10	4.14	5.22	3.07	47.33	6.94
1975	25.14	8.55	4.53	7.01	5.46	50.69	7.11
1980	18.51	7.13	3.71	7.26	7.18	43.79	7.22
1985	19.00	6.69	3.47	7.04	7.99	4.23	7.57
1990	17.22	5.68	3.87	6.93	9.63	43.33	7.13
1995	17.10	5.60	4.20	6.30	6.70	37.90	7.30
2000	17.00	5.20	4.20	6.20	6.50	39.10	8.00
2005	16.20	5.00	4.00	6.00	7.00	38.20	8.20
2010	15.80	4.80	3.75	5.20	6.80	36.00	8.80
2015	16.00	4.00	4.00	4.30	7.50	35.80	10.00

* The annual reports of the WB in 1948, 52, 60, 65, 70, 75, 80, 85, 90, 95, 2000, 2005, 2010, 2015, Washington D.C.

Table 2: The Voting Power in the International Monetary Fund*

Years	U.S.	U.K.	France	Germany	Japan	Total	Africa
1950	30.51	14.57	5.00	—	—	50.08	1.37
1955	27.40	18.08	5.43	3.51	2.72	52.14	2.38
1960	28.89	13.66	5.52	5.52	3.50	57.90	2.77
1965	23.82	11.33	3.73	3.73	3.75	46.36	7.59
1970	22.63	10.76	4.41	5.33	3.75	46.90	10.26
1975	21.87	9.19	4.96	5.29	3.98	44.29	9.26
1980	20.15	8.24	4.80	5.37	4.20	43.16	6.28
1985	19.29	6.69	4.85	5.48	4.57	40.88	9.16
1990	19.10	6.62	4.80	5.78	4.52	40.82	8.90
1995	17.83	5.00	5.00	5.55	5.59	38.93	8.05
2000	17.50	4.80	4.80	5.25	6.29	38.50	8.20
2005	16.80	4.60	4.40	6.15	6.10	37.80	8.40
2010	16.47	4.02	4.02	5.31	6.14	36.00	7.50
2015	16.75	4.29	4.29	5.81	6.23	37.00	7.06

* The annual reports of the IMF in 1950, 55, 60, 65, 70, 75, 80, 85, 90, 95, 2000, 2005, 2010, 2015, Washington D.C.

From the tables, it is clear that the United States voting power in the early years of the WB and the IMF was not below 30 %. In 1960 and later when it was below 30 %, the reasons were the recovery of the economies of the European powers, especially Germany; so the European powers started to enjoy strong voting power. The western powers distributed and exchanged their roles following World War II. European colonization was gradually replaced by U.S. colonial domination of the third world. For example, the British voting power in 1960 was about 12 %, double the voting power of all African countries. The year 1960 is known as the "African year" as most of the African countries got their formal political independence in that year, and so got the membership in those institutions.

Unlike the United Nations where each state has an equal vote, representation within the WB and the IMF is established by the size of the financial contributions, since the US is by far the largest contributor, it has the principle voice in determining the policies of those institutions. Furthermore, the US is able to pressure many of the other large contributors like Japan, Germany and the UK, into following their policy preferences.

Third world countries call for equal voting shares for developed and developing countries, based on a formula that reflects democratic principles, which has at its heart the Bank's development mandate. Also vital is an end to the outdated practice of some countries having permanent seats on the Bank's

board, where European countries are particularly over-represented. These steps would put the WB on a far stronger footing to support development. However, the voice and concerns of the LDCs are not heard; protecting the voting power of the U.S and its allies remains at the forefront of the US Strategy. The west always offers promises to LDCs of reforming the voting system in WB and the IMF, but has never kept such promises.

In the early years of the WB and the IMF, the U.S. used them for the recovery of Europe, and it did not give any attention to the LDCs in the rest of the world. In 1960, when the WB and the IMF turned their attention to the LDCs under the influence of the U.S., the shift was caused by the impact and considerations of the Cold War, as most of the recipient countries were of significant importance to the U.S., as we will see in detail in the following pages.

The Sources and Strength of U.S. Influence on the WB and the IMF

The basis of U.S. influence derives, on the most fundamental level, from the origins of the IMF and the WB, and the fact that their charters and guiding principles have a distinctly American cast. Over the years, the U.S. has used its influence to ensure that those principles are not disregarded. Other sources of U.S. influence include its position as the largest shareholder of the WB and the IMF, as we observed in Tables 1 and 2. Other sources of influence are the importance of the U.S. financial market as a source of capital for these institutions, and in the early days practically the only source. The United States held the position of the World Bank's president, and other senior management positions; and the close attention the U.S. has paid to the WB and the IMF activities, reinforced by the location of those institutions in Washington D.C. made the U.S. the dominant member of the WB and the IMF, so no other country or group of countries has chosen to challenge the U.S. position (Catherin,1994:11-15).

The United States is the only country that carries out detailed reviews of every Bank loan that is proposed, and the only country that carries out detailed reviews with these institutions through its representatives with them. The U.S. is sometimes consulted on a matter before other members. In general, we can say that the United States access to influence on the WB and the IMF are numerous, and the location of these institutions in Washington facilities the U.S. influence over any other member country (Catherin, 1994:54-60).

The Exercise of United States Influence

The state, strong or weak, poor or rich, cannot survive isolated as "Robinson Crusoe" in international relations. The world is becoming more and more close like a small village, so what takes place in any of its parts will affect the other parts in different degrees. Nowadays, in the era of economic interdependence, there is a reciprocal influence among all the actors in international relations, and so the economic performance of any country is not dependent only on that country, but also dependent on the economies of other countries that have bilateral relations with that country. Oil prices, for instance, affect all states whether they are producers or consumers. Therefore, one of the major objectives of any country is to minimize its economic dependence on other countries, and increase its economic independence (Morgenthau, 1973). Regardless of the fact that the rich Northern countries are more prosperous and developed than the Southern countries, the North is still dependent on the South for its raw materials and markets. Therefore, the North has a lot of interest in the South, and it offers loans and aid to the South through the WB and the IMF so as to support its economic and political interests. These loans and aids have multiple uses as they can be used to influence the recipient by forcing them to adapt to desired policies of the donors, otherwise they will lose their aid. As an American political activist wrote:

Historically, the US has wielded a military stick and a dollar carrot to forge an imperialist empire such as man has never known before. The urge for expansion—at the expense of other people—goes back to the beginning of the United States itself. (Lens, 2003:1-2)

In other words, the loans and aid can be used as rewards to its friends and as a weapon to punish its enemies. In this regard, we will see how the West, and specifically the United States, used the WB and the IMF to lay siege to punish and suffocate the Soviet Union and its allies in East Europe, Asia, Africa, and Latin America. This economic instrument was strong and efficient, unlike the military instrument which failed to achieve such objectives. Thus the Soviet Union collapsed from the inside though it has huge military resources. The same method during the Cold War era was used with Third World countries to get as many of them as possible to become allies and friends of the West, and to deprive and punished the pro-communist countries and the members of the nonaligned movement (Gardner, 1980:50-54). Therefore, the West and the United States have considered these institutions among their many instruments of foreign policy as sources of funds to be extended or denied to reward friends, and punish enemies so as to achieve the long term policy goals, and short term political and economic instruments.

From the early beginning of the Cold War era up to the collapse of the Soviet Union in 1990, the records of the WB and the IMF are full of evidence of U.S. influence, pressure and interference in the lending policies of those institutions. The U.S. voted against loans to certain countries on political grounds rather than economic, and it has encouraged these institutions to lend to favored countries. As these institutions were among the instruments that had been used against the Soviet Union and its allies during the Cold War era, the historical chronology of the practices of these institutions show many cases of strong pressure from high-level U.S. officials either to lend or not to lend to specific countries. In 1947 the Poland government entered into negotiations with the World Bank for a \$128 million loan for coal-mining equipment and that was a sound investment, but the U.S. objected, fearing the political effect of such a credit to Poland's communist government. The World Bank in its negotiations with the Polish government raised conditions that the Bank's management knew to be unacceptable by the Polish government (WB Annual Report, 1948:17). The rejection of loan to Czechoslovakia at roughly this same time underscored the U.S. position against WB lending to Eastern Europe. As stated in the Bank's 1948 annual report.

In both Polish and Czech cases, the WB justified its refusal on the grounds that political uncertainty undermines each country's status as a good credit risk (WB Annual Report, 1948:20).

The political situation did not change in ways that opened prospects for bank lending, and Poland and Czechoslovakia withdrew from Bank membership in the 1950s. The cases of Poland and Czech can be applied to the other East European countries as the WB and the IMF were the economic instruments that the West had used, to successfully siege and punish the Soviet Union and its allies during the Cold War era.

With regard to the Third World countries, the same policies were applied, as with the Chinese revolution in the late 1940s, North Korea's invasion of South Korea in 1951, and the attraction of socialism as an ideology and Marxism as a formula for seizing and holding power in many of the Third World countries. The United States and the West became worried. They feared that unless the West offered an attractive alternative much of the developing world would be tempted to socialist solutions, which would provide the Soviet Union with important allies during the Cold War era. Thus the US and its allies thought it necessary to use the WB and the IMF as instruments of foreign policy. Based on Rostow's theory (one of the architects of U.S. foreign policy), the West decided to provide aids to the developing countries to protect them from the communist ideas; as Rostow's theory of the "stages of economic growth" considered poverty as a fertile soil for the communist thought. To encounter such a threat

the West had to help those countries (Pearce, 2001). In 1961 when President Kennedy established the Agency for International Development to promote development around the globe, he said:

An enlarged, long term program of economic assistance to the peoples of Asia, the Middle East, Africa, and Latin America is justified on this positive and constructive basis. It is in the interest of the U.S. that we and our children live in a world of independent, open societies.... Our enemy is poverty, despair and stagnation." (USAID, 1994:1)

The United States created the US Agency for International Development (USAID), the Alliance for Progress, Peace Corps and many other institutions not to develop the Third World countries but to serve U.S. foreign policy purposes. Only countries of strategic importance like countries bordering the Soviet Union and China (Turkey, Iran, Pakistan, India, Thailand, Philippines, and South Korea) were the most fortunate countries that got unconditional loans and aid. This was another Marshall plan to reconstruct and develop these countries.

At the same time, the United States used its pressure to prohibit the other countries that were not in a good relations with the West from loans from the WB and the IMF. In 1960, U.S. pressure forced the WB to stop lending to Peru after its nationalization of the National Petroleum Company. The WB, under U.S. pressure, suspended lending to Chile from 1970 to 1973 following the elections of Salvador Allende and his nationalization of the Chilean copper mines (Catherine, 1994:68-70). The WB decision not to lend to Vietnam in the late 1970's is a good example in which strong U.S. pressure was exerted. A more recent example in which the U.S. forced the WB and the IMF not to lend to Nicaragua under the Sandinistas, but to lend under Somoza is a very clear example of U.S. influence (Catherine, 1994:70). During the Persian Gulf crisis, after the Iraqi invasion of Kuwait in 1990, American Secretary of State James Baker offered Turkey support for increased loans from the WB and the IMF in appreciation for the country's assistance against Iraq. As James Baker has often admitted,

...winning support for the first Gulf War involved cajoling, extracting, threatening and occasionally buying votes. (Escobar, 2003)

The final example that will be offered in this regard is from the contemporary revolutions of the Arab Spring. In the last 5 years, several Arab autocratic governments, such as those of Tunisia, Egypt, Libya, Yemen and Syria either fell or came under immense pressure by popular uprising and civil wars. In most cases, those events prompted waves of refugees described as the largest since World War II. Millions of citizens either became displaced in their

countries or refugees in other countries. Few were able to flee to neighboring EU countries. The flow of refugees imposed a heavy burden on the hosting countries. The hosting countries were in desperate need of hundreds of millions of dollars to have what they deemed to be sufficient funding to deal with the refugee situation.

For example, over 6 million Syrian citizens have found refuge in Jordan, Lebanon and Turkey. Those countries tried to pressure the international community, including the WB and the IMF, to deliver more aid, but those institutions paid little attention to such demands. The Jordanian king declared in November 2013 that if Jordan did not receive substantial aid from the International community, it will take measures to preserve its interests (Guzansky & Striem, 2013).

The West and its financial institutions, including the WB and the IMF, had a moral obligation to contributing enough money to cover the necessary cost of hosting refugees in the Middle East (Ulack, 2011). Rather than helping Middle Eastern countries affected by the turmoil, Europe turned a blind eye to the crisis. Moreover, as the prevailing atmosphere in Europe is largely anti-immigration, it is not surprising that the EU began to tighten the border system; EU is alarmed at an influx of migrants fleeing revolution in the Middle East, while thousands of migrants have died crossing the Mediterranean Sea trying to reach Europe (The Guardian, May 27,2011).

In sum, loans and aid were not given on economic, humanitarian or moral grounds, but rather on political, strategic and security grounds. The Cold War years saw a high amount of aid as each superpower and their allies aided regimes friendly to their interests (Shah, 2014). The U.S. interests have been served by forcing the WB and the IMF to give (Group 1, above) and deprive (Group 2, above) international loans and aid. Hans J. Morgenthau (1973), pointed out that there are national interests for the United States that can't be insured by military instruments, and so the economic instruments, including loans and aid would be a rational choice (Morgenthau, 1973).

The New Role of the WB and the IMF

In the past, the struggle between East and the West was on ideological grounds, and in that struggle, the economy, propaganda, subversion, and military force, were instruments of encounter. However, in the New World Order, the struggle is mostly on economic grounds between two parts separated by a large gap. The critical questions in this context is how the West is using the WB and the IMF in this new era, whether the WB and the IMF will turn their attention to the less developed countries, and whether a new Marshall plan will be launched

to stop the slow death of thousands of children in Ethiopia, Uganda, and Bangladesh (WB Report, 1994:135).

With the end of the Cold War due to the collapse of the Soviet Union, the WB and the IMF had to keep up with these new changes; and so under the influence of the West, those financial institutions began to pour loans and aid into the former communist countries to help them in facing the economic crisis they have during the process of "transition" from the central planning economy to the capitalist system. With regard to the Third World countries, the WB and the IMF response to the needs of those countries are very slow and insufficient, and the aid to these poor Southern countries also can be justified on political and strategic grounds as well as humanitarian grounds. The significant question in this regard will be "What are the Western interests in helping the poor Southern countries after the collapse of the Soviet Union and the end of the Cold War?"

The Southern countries suffer from many troubles, such as overpopulation, pollution, unemployment, instability and a condition of life degraded by disease, illiteracy, and malnutrition. Such poverty and backwardness will affect the whole world and to illustrate this fact, the rest of this article will detail the impact of overpopulation and instability on the rich Northern countries.

Overpopulation in the Southern countries is a huge problem, and it forces these countries to devote high percentage of their resources to deal with this issue. However, as their resources are below the desired limits, the standards of life in these countries will decline, unemployment will increase, and poverty will prevail. Large numbers of the population of those countries will therefore try to emigrate to the North, looking for a better standards of living. A large emigration from a country or group of countries to another country will cause political, economic, and social problems in the host countries; the immigration of Algerians and Moroccans from North Africa to France caused a lot of troubles for France in particular and to Europe in general. Cuba in the 1990s threatened the U.S. by opening the door for emigration, though the U.S. is called the state of immigrants (Gharaibeh, 1993:83).

With regard to the impact of stability on the rich Northern countries, there is no doubt that unstable areas are fertile soil for social diseases such as drugs, AIDS, and terrorism. These problems in the Southern countries affect the rich Northern countries by decreasing the opportunities for investment in these countries, as the investing companies need stable environments. As these companies transfer their profits to their home countries, losing such stable countries means the loss of these profits, also the possibility of transferring these diseases to the North, as Francis Fukuyama wrote:

Since the end of the Cold War, weak and failing states have arguably become the single most important problem for international order. (Fukuyama, 2004:92)

Therefore, the aids and loans in the new era from the rich to the poor not because of their generosity but to avoid some of the troubles of the poor and those are just disturbance rather than real dangers or threats from the South to the North (Gharaibeh, 1993:91). According to the WB annual report of 1994, only Bangladesh and India are among the poorest countries in the world that get U.S. foreign aid. Actually, U.S. offered aid to those countries as allies to the U.S. during the Cold War era, and they are still important allies as Bangladesh, for instance, was among the 19 countries that joined the U.S. led coalition in the Gulf war against Iraq in 1991 (Ahmed, 1991). With regard to India, as it opens its market to foreign investment, U.S. plans to get the benefits of the Indian market where there are hundreds of millions of consumers. (Charles, 1993:280)

The U.S. the WB and the IMF offer loans and aid to countries like Egypt, Turkey and Israel which are not developing countries. The total aids that these countries got in 1990 is \$35 billion. This amount is ten times larger than the shares of the 20 poorest countries of the world (Charles, 1993:282). The poorest countries are not only deprived of the WB and the IMF aid, but also they are under the pressures of those institutions for their heavy debts. The WB and IMF's influence is global and total. Over the past seven decades, the WB and the IMF have steadily gained power and influence, becoming the key arbiters determining which countries will receive international loans. This status gives the WB and the IMF the power to enforce economic policies written in Washington where the WB and the IMF are based.

The policies imposed by the WB and the IMF are designed to facilitate the repayment of debt: that is steady transfer of wealth out of Third World countries to industrial countries. This transfer of wealth has had devastating consequences for the poor majority. Money that could have been invested in health, education, housing, and infrastructure has instead been transferred to wealthy industrial countries. Accordingly, Third World countries under IMF/WB tutelage have seen infant mortality rates increase, schools and housing deteriorate, unemployment rates increase and the general health of people decline.

Despite the steady decline of the Third World economics under the tutelage of IMF/WB policies, these institutions, keep insisting that their policies will eventually foster development and reduce poverty. Third World countries are told that, in order to get more loans to pay off the old loans, they must adopt and implement structural adjustment programs (SAPs). Yet, the central question that is always avoided by the enforcers of these policies is, do they work? In Africa,

Asia, and Latin America, when SAPs had been implemented, the effects have been devastating.

USAID through the WB and IMF succeeded in serving the US interests, but it has failed to significantly advance the cause of development in numerous countries such as Egypt, Morocco, Somalia, and the West Bank. The failure demonstrates that political and strategic objectives take precedence over economic development, thus rendering much of the foreign aid packages developmentally irrelevant (at best) or damaging (at worst; Sullivan, 1996). Alan Woods, the director of USAID in the 1990s recognized the political motivations of foreign “economic” aid. He bemoaned the fact that

...there had been (as there continue to be) no graduates from less-developed to developed countries in 20 years of aid donations.....Direct U.S. development assistance, overall, has played a secondary role in fostering development and has not always succeeded in fostering growth-oriented policies among recipient states. (Woods, 1989:1)

The many damaging effects of the SAP are voiced by many Third World politicians. For example, Martil Khor from Malaysia sums it up:

Structural adjustment is a policy to continue colonial period, but which the Northern powers want to continue in the post-colonial period. Economically speaking, we [countries in the South] are more dependent on the ex-colonial countries than we ever were. The World Bank and IMF are playing the role that our ex-colonial masters used to play. (Danahar, 1994:4)

In sum, the WB and the IMF are used by the West as a decisive form of control. In order to qualify for these loans, LDCs are forced to take steps favorable to the financial interests of the WB and the IMF. Those structural adjustments have the effects of increasing rather than alleviating poverty within LDCs (Shah, 2013).

Concluding Remarks

The WB was created to assist in the reconstruction and development of territories of members by facilitating the investment of capital for productive purposes. Its partner, the IMF was established for the purpose of promoting international monetary cooperation and the expansion of world trade. Those were pure economic objectives, but the West in general and the U.S. in specific shifted those objectives from being economic to political. And so the previous international organizations, under the Western domination, became instruments to achieve the West’s own interest. Within this context they lost their international impress.

The U.S. as the major force of these institutions, exploited them to achieve its interests: to assist relief and reconstruction after the war, to buttress resistance to communist expansion, and to reward its friends and punish its opponents in the developing world. Aid, loans, and development efforts carried out by the WB and the IMF attract criticism for furthering the agendas of the powerful nations.

Most of the loans and aid that were offered through these institutions were not to help the recipient countries to develop. A high percentage of these aid consists mainly of American goods, especially military equipment. It was not money that can be spent anywhere. That aid was during the Cold War era when there was a competition between the superpowers. If a country's economic needs were being met by the Soviet Union, its assistance from the West must stopped.

Nowadays, although the Cold War has become part of history, the policies and practices of those institutions did not change dramatically. Only certain countries of the poor South are the major recipients of aid and loans. Moreover, most such aid is wasted on corrupt recipient governments. Despite billions given each year, Western countries have rarely met their actual promised targets. Most aid does not actually go to the poorest who would need it the most, as money can often be embezzled away. Unless the WB and the IMF reform their policies, it will be difficult if not impossible to convince us that these institutions are not mechanisms of Western domination.

البنك الدولي وصندوق النقد الدولي كأدوات لهيمنة الغربية: تحليل تاريخي ومعاصر

محمد تركي بني سلامة، قسم العلوم السياسية، جامعة اليرموك، إربد، الأردن.

ملخص

هدفت هذه الدراسة إلى التعرف إلى دور البنك الدولي وصندوق النقد الدولي في خدمة أهداف الدول الغربية بشكل عام والولايات المتحدة الأمريكية بشكل خاص، وذلك منذ نشأة هاتين المؤسستين في نهاية الحرب العالمية الثانية حتى الوقت الحاضر. واستخدمت الدراسة المنهج التاريخي ومنهج التحليل الوصفي منطلقة من فرضية مفادها أنه بالرغم من كل الحديث عن التنمية ومكافحة الفقر، فإن الهدف الرئيسي لكل من البنك الدولي وصندوق النقد الدولي هو إرغام دول العالم كافة على الدخول في النظام الرأسمالي العالمي الخاضع لهيمنة الدول الغربية. ومن النتائج التي توصلت إليها الدراسة نجاح الدول الغربية، بقيادة الولايات المتحدة الأمريكية، في استخدام هاتين المؤسستين في خدمة الأهداف السياسية للدول الغربية؛ ولا سيما في فترة الحرب الباردة، فالتبرير للمساعدة في تنمية دول العالم الثالث كان لمنع التغلغل الشيوعي، وكان لكل من البنك الدولي وصندوق النقد الدولي دور بارز في كسب الحرب الباردة. وكشفت نتائج الدراسة أنه على مدى العقود السبعة الماضية زادت سلطة البنك الدولي وصندوق النقد الدولي باطراد ليصبحا وحدهما يحددان البلدان التي تتلقى القروض الدولية، مما يعطي هذه المؤسسات سلطة فرض سياسات اقتصادية وسياسية مفضلة للدول الغربية، وبالنسبة لكثير من دول العالم الثالث فإن هذا يعني العودة إلى الحقبة الاستعمارية.

الكلمات المفتاحية: التنمية، البنك الدولي، صندوق النقد الدولي، الحرب الباردة، الإمبريالية.

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