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The IMF & World Bank

Two of Several Instruments of National Destruction - Part I

Part I of an interview with Michel Chossudovsky

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Interview and editing by Jared Israel (4-16-00)

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- *Chossudovsky*: When an IMF mission goes into a country and requires the destruction of social and economic institutions as a condition for lending money - this is very similar to the physical destruction caused by NATO bombing. The IMF will order the closing down of hospitals, schools and factories. That's of course more cost effective than bombing those hospitals, schools and factories, as they did in Yugoslavia, but the ultimate result is very similar: the destruction of the country.

The IMF has what is called the MAI - the Multilateral Agreement on Investment. It's the ultimate investment treaty. Signing leads to the economic destruction of the targeted country. Well, really, war is simply the MAI of last resort.

Jared: What are your thoughts on the demands of the folks protesting now in Washington?

Chossudovsky: Well, lots of people have converged on Washington to protest the Bretton Woods system, the IMF and the World Bank. The question is: what are we fighting for? I suspect the dominant position among the NGOs [Non-Governmental Organizations] is still that we need to reform these institutions, give them a human face, make them work for the poor and so forth. I think this approach, which developed from the "50 Years Is Enough" campaign against the Bretton Woods institutions is a mistake. And increasingly people are challenging it, questioning the legitimacy of these Washington institutions.

But still there's a lot of confusion. Some think the IMF and World Bank are playing contradictory roles, which is not so. And also there's a tendency to see these institutions in isolation. In fact they are simply two tools used by the Western elite to destroy nations,

to turn them into territories.

Jared: You think some people are fooled by the World Bank?

Chossudovsky: They believe the World Bank has adopted a humane approach, that it's involved in poverty alleviation whereas the IMF creates poverty. Or they even think there's a conflict between the two. That's nonsense. The World Bank is doing essentially the same job as the IMF; it merely has different responsibilities in the Third World. In a way, it is far more dangerous precisely because [of the fact that] its supposed mandate to alleviate poverty disarms critics. The simple fact is: Wall Street is behind both these institutions. They are run by bankers not sociologists.

Free Trade, brother of War

Chossudovsky: More important: a lot of people don't see the link to NATO. Very few of the organizations criticizing the Bretton Woods institutions opposed the attack on Yugoslavia. They didn't talk about it in Seattle and they aren't doing it in Washington now. They campaign against free trade, against the IMF, in favor of the Jubilee campaign to cancel third world debt, but not against war. But free trade and war go hand in hand. It was true with the British in the 19th century when they forced the Chinese to "freely" purchase opium and it is true today.

And there's a good deal of coordination between the IMF and NATO. You saw it in Kosovo. The IMF and the World Bank had set up a postwar economic plan including free market reforms well before the onset of bombing. [See note #1 at the end] They work together. If a country refuses IMF intervention, NATO steps in, or NATO and various covert agencies, and they create the proper conditions for IMF programs to be imposed.

Israel: Very sharp point.

Chossudovsky: The countries that accept the IMF, like Bulgaria and Romania, they may not get bombed but they are destroyed with the pen. In Bulgaria the IMF implemented the most drastic reforms, IMF medicine, which decimated social conditions - pensions slashed, factories closed, dumping of cheap finished goods, elimination of free medical care and transportation services and so on.

And it's not just NATO. We see that in Central Asia and the Caucuses. Hand in hand with the imposition of IMF and World Bank reforms and privatization program we have not only NATO but also CIA covert intelligence operations - the institutions of war and economic management interface with one another at a global level.

So right now various countries are being softened up with regional

conflicts that are financed overtly and covertly by the Western elite. The KLA is just one example of an externally financed insurgency. You see these manipulated conflicts especially wherever there are strategic pipelines, and they are linked to the drug trade and the CIA, covertly, then openly linked to NATO and official US foreign policy, and finally to the IMF, the World Bank and regional banks and private investors. Links in a chain.

Let's categorize these global institutions: you've got the United Nations system and peace keeping; they play a role and they are interfacing with NATO as well. Then you've got the IMF and the World Bank, and the regional development banks like the ADB, the Asian Development Bank, and so on. In Europe it's the European Bank for Reconstruction and Development. These are the main arms.

Sometimes war creates the conditions, and then the economic institutions come in and pick up the pieces. Or conversely the IMF itself does the destabilizing, as they did in Indonesia. They insisted on cutting off transfer payments to the various states in the federation. Now that fractures a country like Indonesia which has 2,000 islands with a system of local governments. It is the geography of the bloody place. So they leave these islands to their own devices.

Do you see what that accomplishes?

***Israel:* In other words, they insisted on cutting money that was supposed to subsidize local government?**

***Chossudovsky:* Yes, for example for education and so on. By doing this - and incidentally they did it in Brazil as well - they destabilize the country because in order to have a country there must be fiscal coherence, a system of fiscal transfers. So in a place like Indonesia, each of these islands becomes a small state. And of course now the idea of going it alone becomes far more attractive to the many different ethnic groups. Of course they [that is, the planners] are fully aware of this - they have made it happen time and again. It took place in Yugoslavia; it took place in Brazil; it took place in the former Soviet Union where the regions are left to their own devices because Moscow doesn't transfer any money. Potentially it could happen in the United States as well. It is guaranteed to produce a situation of conflict, internal strife.**

***Israel:* Mutually unproductive conflict...**

***Chossudovsky:* Yes because people are impoverished to such an extent that they start fighting.**

***Israel:* On every basis, especially ethnic.**

***Chossudovsky:* Incidentally in Somalia there weren't any ethnic groups, but it worked there too. You don't need a multi-ethnic society to have divisions, to have Balkanization.**

Israel: And you're saying this is part and parcel of a plan for Empire?

Chossudovsky: I am saying this is recolonization. Countries are transformed into territories, colonies essentially.

Israel: What distinguishes the two?

Countries vs. territories

Chossudovsky: A country has a government. It has institutions. It has a budget. It has economic borders. It has customs. A territory has only a nominal government, controlled by the IMF. No schools and hospitals, as those have been closed down on orders of the World Bank. No borders because the WTO has ordered free trade. No industry or agriculture because these have been destabilized as the result of interest rates of 60% per annum and that is also the IMF program.

Israel: 60% per year?

Chossudovsky: In Brazil it's much higher. I'm looking at Botswana now. The interest rate is horrendously high.

Israel: And this is imposed by the IMF?

Chossudovsky: They put a ceiling on credit. Do you see? So people can't get bank loans; it drives interest sky high and that kills the economy. Then they open it up to free trade. So the local capitalist enterprises have to borrow at 60% from the local banks and then they have to compete with commodities from the United States or Europe where interest rates are 6 or 7%. These reforms are essentially aimed at destroying local capitalism.

Israel: So how do we fight this?

Chossudovsky: Not with a single-issue movement. We can't focus solely on the Bretton Woods institutions, or the WTO, or environmental issues or genetic engineering; we have to look at the totality of relations. When we look at the totality we see the link to the use of force.

Beneath this economic system lie the undercover features of the capitalist order: the military-industrial complex, the intelligence apparatus and the links to organized crime including the use of narcotics to finance conflicts aimed at opening nations to Western control.

We have gone from gunboat diplomacy to missile diplomacy. In fact it is not missile diplomacy. It is sheer bombing.

Israel: You said that part of the military intelligence apparatus is gangsters. I know that you have been writing material about how

drugs is actually an economically powerful force.

Chossudovsky: Well it is more complicated than that. Because in fact the gangsters are the instruments of big capital. They are not - they don't overshadow the system in any way. The gangsters are people who can be easily used precisely because they are not responsible to anybody. So it is much more convenient.

Let's say you install Hacim Thaci [leader of the Kosovo Liberation Army] in the seat of government in Kosovo. It's much more convenient to have a gangster like this running a country than to have an elected prime minister that is responsible to citizens.

The best thing is to have an elected gangster, somebody like Boris Yeltsin, that's the best - get an elected gangster. We have elected gangsters in the US as well.

Why? Because elected gangsters are much easier to control than elected non-gangsters. But we must understand these gangsters are pretty obviously subordinate - when we say it is the criminalization of the colony, it is not true. It's the other way around. You are never going to have a situation where these gangsters will be given any power. The big ones perhaps... So there is a certain interpenetration of legal and illicit trade. But in effect illicit trade is always subordinate to large scale financial and business undertakings.

An important aspect of this is that the IMF creates the conditions for the growth of illicit trade and for the laundering of dirty money, all over the world. That is very clear because when legal economies collapse under the brunt of IMF reforms what are you left with? It's the gray economy; it's the criminal economy.

Israel: And that encourages the development of forces that can be used to replace potentially responsible legal forces.

Chossudovsky: Yes and that type of collapse in legal economic systems creates also the conditions for developing insurgencies, destabilizing elected governments, closing down of institutions and transforming countries into territories which are then run as colonies.

Dear reader - this interview is continued. Part II will be posted as soon as the text is edited and laid out. - JI

Note # 1 "In Opening Kosovo to foreign capital" which you can read in full at <http://emperors-clothes.com/articles/chuss/opening.htm>, Michel Chossudovsky writes:

- "In occupied Kosovo under the mandate of UN peace-

keeping, state terror and the 'free market' go hand in hand. The concurrent criminalisation of State institutions is not incompatible with the West's economic and strategic objectives in the Balkans. Notwithstanding the massacres of civilians, the self-proclaimed KLA administration has committed itself to establishing a 'secure and stable environment' for foreign investors and international financial institutions. ..

"In close liaison with NATO, the Washington based financial institutions had already analyzed the consequences of an eventual military intervention leading to the occupation of Kosovo: almost a year prior to the beginning of the War, the World Bank conducted 'simulations' which '*anticipated the possibility of an emergency scenario arising out of the tensions in Kosovo*'. 1

"While the bombing was still ongoing, the World Bank and the European Commission were given a special mandate for '*coordinating donors' economic assistance in the Balkans*'². The underlying terms of reference did not exclude Yugoslavia from receiving donor support. It was, however, clearly stipulated that Belgrade would be eligible for reconstruction loans '*once political conditions there change*'.³

"With regard to Kosovo, the World Bank rather than providing loans to rebuild the province's infrastructure has focussed its intervention on providing '*assistance in designing the reconstruction and recovery program*' as well as so-called '*policy advice in economic management*' and '*institution building*' namely '*governance*'⁴. In other words, an army of lawyers and consultants have been sent in to ensure Kosovo's transition to a '*thriving, open and transparent market economy*.'⁵

Support granted to the KLA provisional government would be geared towards '*the establish[ment] [of] transparent, effective and sustainable institutions*'⁶. An '*enabling environment*' for foreign capital is to be established alongside suitably devised '*social safety nets*' and '*poverty alleviation programs*'.

"Meanwhile, Yugoslav State banks operating in Pristina have been closed down. The Deutschmark has been adopted as legal tender and the banking system has been handed over to Germany's Commerzbank A.G which is the sole private shareholder in [Kosovo's] Micro Enterprise Bank (MEB) formed in early 2000 at the initiative of the World Bank's International Finance Corporation (IFC), the European Bank for Reconstruction and Development (EBRD) together with the Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden (FMO), Germany's International Micro Investitionen (IMI) and Kreditanstalt für Wiederaufbau (KfW). [Thus the German] Commerzbank

AG will gain control over commercial banking functions for the province [of Kosovo] including money transfers and foreign exchange transactions."⁷

[To check out the references in the above text please see the original at <http://emperors-clothes.com/articles/chuss/opening.htm>]

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